



NEWCASTLE MUNICIPALITY



DRAFT BUDGET

“NEWCASTLE’S CONTRIBUTION TO THE GOOD STORY”

2014/15 TO 2016/17

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PART 1 – ANNUAL BUDGET

1. MAYOR’S REPORT

HONOURABLE SPEAKER, CLLR M.F. ZIKHALI

DEPUTY MAYOR CLLR RACHEL MDLULI

CHIEF WHIP CLLR MSWELI THWALA

MEMBERS OF THE EXECUTIVE COMMITTEE

COUNCILLORS

MUNICIPAL MANAGER Mr. K. MASANGE

SEDs AND ALL MANAGEMENT PRESENT

CHAIRPERSON OF ANC EMALAHLENI REGION Cde ARTHUR ZWANE

MEMBERS OF THE REC

MPLs PRESENT

**HER WORSHIP THE HON MAYOR OF AMAJUBA, CLLR JCN KHUMALO AND ALL
MAYORS PRESENT**

AMAKHOSI PRESENT

MEMBERS OF THE CLERGY

MEMBERS OF THE MEDIA

MEMBERS OF WARD COMMITTEES

**LADIES AND GENTLEMEN AND ALL THOSE WHO ARE LISTENING TO THIS BEING
BROADCAST LIVE ON NEWCASTLE COMMUNITY RADIO**

SANIBONANI, GOOD EVENING

SOMLOMO, I have the honour of tabling the 3rd municipal budget and state of the town address of this administration to council.

This address is done in the backdrop of South Africa celebrating 20 years of freedom and democracy njengesizwe.

We also acknowledge the loss of our founding President, his Excellency President Nelson Mandela. His passing has caused untold pain to our people and those beyond our borders. We find solace in the knowledge that Madiba will forever be in our hearts and that we have a duty to take his legacy forward. In just under two months, we will again exercise our most fundamental expression of **FREEDOM – OUR RIGHT TO VOTE** for a new government.

Political emancipation is just the beginning of our journey towards justice and equality. In exercising the responsibilities that flow from democratic participation, we have the opportunity to create a better future for all. As Madiba wrote on his prison calendar in 1979, ***“THE PURPOSE OF FREEDOM IS TO CREATE IT FOR OTHERS.”***

As **PRESIDENT JACOB ZUMA** in his state of the nation address last MONTH mentioned: “Twenty years of freedom and democracy have changed the face of our country. The last five years have further advanced change and a better life for all, especially the poor and the working class”, senze izimpilo zabantu zabangcono.

Honourable Speaker, Newcastle municipality has contributed to this change that our Honourable President and Leader of this great nation eludes to.

Since 2009, when a political change within council brought an ANC led government into power, we have indeed managed to speed up change. We reformed our municipal budget to be more focused on infrastructure development.

What we found in 2009 were townships with dusty roads, people without access to clean water, large areas of our townships without electricity, rural areas without the dignity of toilets, the absence of sporting and playground facilities for our youth, suburbs with failing infrastructure, amongst others.

We found projects promised to communities by the government yet failing to materialize. We found housing projects which were meant to provide security to our people, yet continued to collapse during every major storm.

We believed, as the ANC government that the R68m provided by the municipality for capital development was far too little to provide a better life for all.

We increased that amount to R172m immediately, then to R229m in 2010, to R310m in 2011, to R318m in 2012 and to R418m in this current financial year.

The 2014/15 budget is no different. It will continue to tell the story of **a government that listens to its people, trying very hard to make an impact on their lives** by providing service delivery that you can touch and feel.

It tells a story of a municipality that would rather see every cent in their coffers being spent on its citizens by being one of the few governments in this country to ask its councillors and officials to pay for their own meals during council meetings.

It tells a story of a municipality that is trying to do things differently by being the first government in the country to go completely paperless futhi songa imaliyabakhokhi bentela engaphezu kuka R8m in printing and delivery costs of council agenda.

It tells a story of a municipality that feels the urgency, desperation and impatience of its residents to provide quality services such as clean water, electricity, sporting facilities, roads, storm water and decent jobs.

IT IS INDEED A GOOD STORY!!!!!!

The 2014/15 draft operating budget grows by over R100m bringing us to a total operating revenue of over R1.5bn. The draft capital budget continues to grow as well with a total of R441m that will be spent on new infrastructure projects.

Honourable Speaker, this ANC led government will continue to move towards our dream of making our townships of Madadeni, Osizweni, Blaauwbosch, Charlestown , and surrounding areas, the same as the suburbs of Aviary Hill, Hutten Heights, Lennoxton and Paradise.

In this regard, our priorities will remain the same.

ROADS

Somlomo, we have made a great impact on the building of tar roads in the townships with well over 53km of new tar roads established at a cost of over R250m since 2009.

In the next financial year, we will spend a whopping R75 300 000 on new roads.

Included in this amount is the second phase of the Kwamathukuza main road at R5.5m, the building of urban access roads in Madadeni at the cost of R12.4m and R29m for Osizweni urban access roads. R28m will go to phase 2 of the widening of Allen Street from the Ncandu river bridge to the intersection of Hardwick and Allen streets.

Phase 3 will see the completion of this project in 2015/16, thus easing major traffic flows into the CBD for people coming from those suburbs.

R2m will go to phase 1 of the rehabilitation of Jenkyn Street, and R1, 5m will see the completion of the upgrade of Murchison Street alongside St Dominic School. R180 000 will also see a drop off area being paved in Kirkland street for school goers in that vicinity.

The Clifford Manana Bridge remains as one of our greatest achievements, linking the community of Madadeni with the industrial area, a project that was showcased in the **changing lives series** of the South African Revenue Services (SARS). We will continue and complete the new highway adjoining that bridge to the keyway motors intersection at Kwamathukuza.

Since 2009, we have installed 120 speed humps near schools and areas of high traffic and a further R600 000 is budgeted for more areas.

Since 2010 we have paved 11828 square metres of sidewalks and a further R3.5m will be budgeted, making our sidewalks safer for pedestrians, joggers, cyclists and people in wheelchairs. This goes towards our aim to create a healthier society.

Since 2009 we have resealed 120km of roads in Newcastle, Madadeni and Osizweni and we budget a further R20m, thus ensuring one of the best road networks in the country. The recent heavy rainfall has however added further strain on this challenge.

WATER & SANITATION

Honourable Speaker, it is embarrassing to note that the previous administration of this municipality never realized that people in rural areas need access to toilets. We heeded the call of president Zuma for the development of rural areas and since 2010 built over 5500 new toilets in wards 6,7,12,15,16,18.

We will accelerate the building of more toilets after huge outcries in our communities, with a further R9m set aside for this basic need. We will also increase our span into the above mentioned wards, as well as ward 1, ward 30 and ward 31.

Charlestown, Ingogo, and Normandien will see R1, 5m of new toilets for the first time.

We continue to provide a flushing sewer system in Osizweni sections E & F for R4, 5m and Stafford Hill for R11, 1m

We will spend R2, 5m for bulk sewer at H39 and R2, 5m for a sewer pump station at H39 as well. Siyahlala will get R4, 6m for sewer reticulation and R10m for water pipes from the Hilldrop reservoir. These infrastructure projects are much awaited as we prepare to build new houses in H39 and Siyahlala, as approved by the provincial department of human settlements.

Waste water treatment plants, which have been extensively upgraded in all parts of town, will continue to be refurbished in Madadeni for R11m, Ngagane for R2m and Kwamathukuza for R700 000. We will also re fence some of these sewer stations at a cost of R1m to prevent children from entering these dangerous areas.

After the takeover of water reticulation from uThukela Water, we continue to struggle to get to grips with provision of water throughout our town. We have inherited ancient water pipes and equipment. We are however confident that we will win this war of providing a sustainable water supply, and in this regard we budget R5m for faulty water pipes in critical areas of all suburbs, especially Lennoxton, Ncandu Park, and all other areas that see regular water supply interruptions.

In Madadeni we will spend R4m on the repair of leaking water pipes and in Osizweni R7m will be spent replacing old cisterns in homes to reduce water losses.

We continue to rehabilitate our dongas in the townships at a further cost of R2m.

ELECTRICITY

Kusukela ngo 2010 sikhanyise imizi engaphezu kuka 1400 of households in areas that have never before had access to electricity. The areas of Charlestown, Drycut and Bosworth.

We are currently electrifying Ingogo, Dicks Halt, Normandien, Amajuba forest and Roypoint. We are still negotiating with Eskom to reduce connection costs in places like Mndozo where in fills are required to electrify houses within the area.

Since 2009 we have installed 110 high mast lights in our townships, making a promise to the community that we will light up all areas of the townships. Some of these lights have also been installed in high crime areas in our suburbs. This goes a long way in our fight against crime.

We are currently in negotiations within the Eskom licence area of our townships to take control of the street lights, as communities raise their concern of the malfunctioning of street lights to our ward councillors yet we do not have jurisdiction over this service. The street lights of Ingagane will be the first to be taken over.

We have also budgeted R2, 7m for the conversion of certain street lights into LED, to provide a better, more cost efficient lighting need to some of our main roads. We have also lit up the P483, main road to Madadeni and Osizweni, ensuring better visibility for pedestrians and cyclists.

Siyahlala has already received a boost of electricity infrastructure with the opening of the Earl Street substation and a further R2, 5m will be spent to get electricity for residents in this area.

We continue to refurbish our network for another R5m, making Newcastle the only town in South Africa that has managed to avoid load shedding because of the efficient manner used to manage our electricity usage.

My trip to Dubai with the SED, has culminated into a partnership with the United Nations, and we have budgeted R1m as a counter funding to funds that we are obtaining from them to provide energy efficient water solar heaters to high paying electricity consumers in the west. This project will be communicated more extensively as we receive final project plans from them.

RURAL DEVELOPMENT / UKUTHUTHUKISWA KWEZINDAWO ZASEMAKHAYA

Somlomo, we continue to uplift the people living kulendawo zasemakhaya. Rural development is a priority of this administration, remembering that in 2009, no services were found in the Johnston-Blaauwbosch-Cavan areas. We made a pledge to the people of Blaauwbosch to make sure that land is purchased from landowners and services rendered.

I am pleased to announce that many success stories can be told here. We have concluded most land agreements, installed water pipes in Blaauwbosch, revamped the Mzamo sports grounds, facilitated the relocation and building of Mzamo High school, and planned and approved a housing project in the area. We have built a **state of the art play park with outdoor gym equipment** in Blaauwbosch and remain steadfast in our approach that Blaauwbosch should be a built up suburb.

We do however remain with challenges, and as part of a cabinet subcommittee headed by the Premier, we will rehabilitate and deal with the illegal mines in that area.

We have managed to attract a 14000 square meter shopping mall in the rural area of Blaauwbosch, making sure that people have employment on their doorstep, and using the infrastructure provided to speed up services within the community.

We plan phase 2 of the JBC community hall at a cost of R6, 9m. We have tarred the brl roads and created a road network, all tarred linking Johnston to Madadeni. We do however have a serious challenge with the road leading to Esididini, which belongs to the province, as our school children are struggling to use public transport on that road as busses cannot travel on it. We will continue our fight to get that road tarred.

Charlestown will also be allocated a phase 2 amount of R5, 6 m for the rebuilding of their community hall, and the official opening of the play park in that area will also be done during the roadshows.

Honourable speaker, we are proud of the fact that the areas such as Charelstown, Ingogo and Normandien now have access to clean water. In 2009 we found some of these communities sharing water from the trough of animals.

COMMUNITY SERVICES

This is one department that has benefitted the most from our infrastructure development programme. We have managed to buy brand new equipment to replace vehicles that were over 30 years old.

We purchased new grass cutting equipment over the last 3 years that has seen us extending the grass cutting areas to Newcastle, Madadeni and Osizweni. It has also given us the ability to stay on top of grass cutting schedules, and even the recent heavy rainfall has not turned our town into an overgrown forest, for want of a better word. Verges and sidewalks continue to be maintained.

The fire department has seen 4 brand new fire engines, with this service also being rendered in the townships. Fire trucks are now permanently stationed in Madadeni and Osizweni, with R400 000 set aside to upgrade the Madadeni fire station.

One of those trucks is a state of the art, high rise building fire engine, imported from Austria at a cost of R3, 8m. The fire department undergoes more intensive training, to equip firefighters to deal with any kind of emergency. Our partnership with 911 fund, in the USA, through the intervention of the MEC for COGTA, sees us getting firefighters from New York to train our people. We also await a fire engine that will be sponsored to us by the same 911 fund.

We have purchased 10 new compactor trucks, a front end loader and numerous other vehicles to better equip our staff to keep Newcastle clean through refuse collection. This assists us to service all our residents in the west and also to phase out the yellow tractors the municipality was using in the east. This is simply because the ANC government believes that the east and west of this town should receive the same service. We are indeed proud of the fact that we remain the cleanest town in KZN for 7 consecutive years and the second cleanest in the country for 2 years. We are proud of the hard work and dedication of this team notwithstanding the recent unprotected strike that has seen our town trashed by angry workers.

We remain confident that these workers will soon realize that we negotiate in nothing but good faith as we care for and love our employees as much as we do for every citizen of this town. We are also confident that they will return to work and return our town to the beautiful city that we are.

PARKS

We continue to come up with new innovative ways to better the lives of our residents including the very little ones. Since 2010 we have built 10 new play parks and upgraded 3. **7 of those parks have state of the art children friendly equipment**, outdoor table tennis, volleyball courts as well as a first of its kind outdoor gym equipment.

it is our intention to roll out these parks throughout the town and in this regard we will be establishing a further 7 play parks in Ingagane, ward 6, 10, 13, 14, 20, & 28, and upgrading a further 3 parks within our suburbs. This should see park upgrades in Aviary Hill, Hutten Heights and Berry Hertzog Park.

We built an Olympic size swimming pool at the Madadeni Phelandaba stadium in the complete belief that the same benefits that exist for the children in the suburbs should be available for those children in the townships.

I want to report that we have deferred the heating of the Newcastle swimming pool because of exorbitant costs but we will use the R1m to re-pipe the infrastructure at that pool.

We have built 3 new FIFA approved futsal courts in Paradise, Madadeni and Osizweni to promote sport amongst our youth. All wards have graded sports field with soccer and netball poles. We plan to employ a sports manager within the next few weeks, so that we can have a dedicated unit to deal with all sporting codes and sport facilities going forward.

Since 2009, sense isifungo emphakathini wethu to upgrade all our cemeteries. In this regard we have fenced the Drycut and Madadeni section 1 cemetery, we are in the process of fencing Roypoint as well as Charlestown cemetery. In this financial year, we will fence the section 42 cemetery in Osizweni at a cost of R2.5m, and next week we will be officially opening the new tar road that leads to Drycut cemetery.

HOUSING

In 2009, we found a municipality struggling to get housing projects approved with no prospects of eradicating housing backlogs in this town, we engaged politically with the MEC and the department and are pleased to announce that most of our housing projects are pass the planning phases. For these efforts we were given the national Govan Mbeki award for planning the best human settlements in the country.

We pledged to rebuild the houses at Kwamathukuza as they were a threat to the safety of its inhabitants and in 2011 we started and completed this project at a cost of R103m. We also intervened in storm damaged houses in Madadeni and repaired 1650 roofs. We have applied for phase 2 of this project.

Osizweni sectoin E, sees 1910 houses where people have already started moving in at a cost of over R100m. Emawozeni housing project in Osizweni sees 148 houses already being built at a cost of

R12m. The Khatide housing project in rural areas of ward 6 and 12 starts next week with 2000 houses being built at a cost of R157m.

Siyahlala 1200 houses, Madadeni H39, 897 houses, and Charlestown, 1500 houses have all been approved and are in the final stages of planning at a combined cost of R290m.

We are serious, Honourable Speaker, about tackling the high amount of homeless people in this town and winning that war

ECONOMIC DEVELOPMENT, JOB CREATION AND POVERTY ALLEVIATION.

Although the worldwide economic recession also affected South Africa and Newcastle in particular we have still managed to grow the local economy at rates that were better than the national and the provincial averages.

From 2009- 2013 the growth rate on average was between 4.5 and 6% per annum. In 2013 the growth rate for Newcastle was 5.54% and only Richards's bay had a higher growth rate than Newcastle.

The growth rate can be ascribed to the confidence expressed by business in the leadership of the municipality as well as the political stability that was brought by the current ANC led municipal government.

The confidence can be seen in the recent expansions of some of our leading chemical plants who have invested more than R640 million in their plants in Newcastle over the last 2 years. the recent announcement of Arcelor Mittal that they are going to spend R1.7 billion on the Newcastle plant is a further testimony of the confidence that big business have in the future of Newcastle.

The recent construction of two major retail malls, has indeed boosted our economy and further demonstrates the confidence business has in our town.

In 2014/15, we will be upgrading our airport with a further r1, 5m, whilst we address the issue of water in this fin year and recently completed an overhaul of the landing lights. We still remain determined to have a sustainable flight schedule between Newcastle and major cities.

We will further enhance our CBDs in the township with R1, 5 m for hawker shelters at Madadeni and the new Theku mall, R3m for the Osizweni taxi rank and R2, 5m for Madadeni taxi rank. This will enable commuters to travel and depart in decent terminals.

The ANC led government has continued to market Newcastle as an investment destination and although the economic recession did have some effect on our plans we did manage to attract a number of companies that have invested in Newcastle.

From 2009 to 2013 we have managed to attract 25 companies with a total investment of R140 million. These companies created approximately 2000 new job opportunities.

Unfortunately there was also a number of companies in the clothing and textile sector that have reduced staff but we are pleased to announce that due to the current R/\$ exchange rate

chain stores are placing more orders at clothing factories in the Newcastle area with the result that these factories are expanding the employment.

The Municipality is currently negotiating with various new investors that have expressed interest to invest in Newcastle.

We have also made it our duty to engage with our local business community on a regular basis through various forums. Our Council is committed to continue to engage the business community and we are currently working hand in hand with the Premier to also establish a growth coalition forum in Newcastle. The formal introduction of the forum will take place on 25 March 2014 and most of the business people would already have received invitations in this regard.

Since the current leadership has taken over we have also made it our task to assist the poorest of our communities with projects to alleviate poverty in their areas. In total we have spent more than R5.7 million and we have managed to assist over 90 projects in these poor areas.

The success of these projects have recently led to one of our Local factories, Lanxess, who have decided to contribute R1.5 million to assist the Municipality in our endeavors to alleviate poverty. The Municipality is working with Lanxess to identify projects that could still be implemented in this financial year. The majority of these projects are in the agriculture and clothing sector and we have managed to link a number of these projects with the formal sector.

We have also managed to create 2200 jobs through the EPWP programme, although we are not entirely satisfied with the manner these jobs ended. It is our intention to work towards a programme that will provide sustainable jobs for people.

We are also assisting 18 students with full bursaries this year and have assisted over 1500 students with registration fees since we came into office. We continue to budget for a further 300 students registration fees and 6 more full bursaries. Our relationship with the FET college remains intact, and numerous students are referred there, free of charge, to further enhance their skills and make them more employable.

We are discussing changes to our supply chain policy, to ensure that more youth have access to government tenders, thereby empowering them to better their lives.

MUNICIPAL OFFICE BLOCK

Honourable speaker, we boldly continue to build our 7 storey office block, which will see the final phase in the 2014/15 at a cost of R194m. This will enable us to house all our staff and make the municipality building a one stop shop, where a person will be able to pay their rates, apply for a new house, approve building plans and access all other municipal functions. The long term benefits of building this block will be felt for generations to come.

OPERATING BUDGET

Whilst we speak of infrastructure development, we continue to pursue an ideal society by tackling social ills within our community. Under Operation Sukuma Sakhe we have established **WAR** rooms in all our 31 wards to address issues around poverty.

These **WAR** rooms bring a combined and concerted effort of all government departments such as social welfare and health closer to our people. The 2014/15 budget will also provide to create offices of ward councillors in their wards making them more accessible to the communities they serve.

We have created specialized fora for citizens from certain sectors to be given a platform to have their issues heard. In this regard we have created fora for women, men, senior citizens, people with disabilities and the HIV/AIDS council. These have helped us as a government to engage our residents and has culminated in many a policy shift **eg.** We have managed to employ 8 people with disabilities in the past 1 year alone.

Now, let's talk about how we are going to pay for all this!!!

Somlomo, unfortunately, someone has to foot the bill for the long list of service delivery projects I have just mentioned. We are however, very wary of the fact that residents are under strain to meet their financial obligations these days. We have considered all options as an executive committee to make certain that the burden of the ratepayer is minimal.

Included in our operating budget will be the repayment of a R290 million external loan that we will access to fund the final phase of our municipal block and committed and new capital budget. After this expense, we will still close our cash flow statement with a surplus of just over R55m.

The current valuation role is now open for inspections and objections and closing dates are set down as the 18th of April. We urge all residents to peruse their valuations and object where necessary. In light of this increase in market value, we have the pleasure of announcing that there will be no yearly increase in rates in the 2014/15 budget.

The rest of the services, namely water and sanitation, will be increased by 7%. Electricity will be increased by an average of 7, 39% even though Eskom increases our cost by 8, 1%.

We have also increased the indigent threshold to R3500, which means any household earning R3500 or less is completely exempt from rates, receives 50kw of electricity and 12000 litres of water for free.

We have also scrapped the basic charges for water and electricity for indigent consumers in the west, where they have been charged historically.

Somlomo, I once again emphasize that Newcastle has contributed to the change that our President has spoken about. I believe, that in moving South Africa forward, Newcastle has led the way.

I have themed the 2014/15 budget “*Newcastle’s contribution to the good story!!!!*”

In this regard, I have placed in front of all Councillors and officials’ desks a leather bound notebook, where you can begin writing your own good story. Councillors can be proud that Newcastle has indeed a good story to tell.

I take this opportunity to thank the Municipal Manager, Mr. K. Masange, the outgoing CFO Mr. M Mayisela and Acting CFO Mr. Siya Dube, and the team of finance, as well as all officials including

those in my office who have assisted and worked tirelessly to put this developmental budget together.

I also thank the executive committee and councillors for their dedication and pure will and energy to see services in their communities increased and upgraded. I trust that you will forgive me for the long hours and temper tantrums I am known to throw!!!

A special thank you goes out to our wives/husbands and families, who carry the double burden of releasing us for government work, as well as election campaigning during these difficult times. Rest assured, we never take your love and understanding for granted, and thank you for putting the people of Newcastle first!!

The 20 years of freedom has demonstrated that South Africa as a better place to live in now than in 1994, but these achievements articulate that Newcastle is a far better place to live in since 2009!!!

Honourable Speaker, I have the honour and privilege, in the powers vested to me by the MFMA, to table the 2014/2015 draft operating and capital budgets for council's approval

THANK YOU, NGIYABONGA

2. DRAFT BUDGET RESOLUTIONS

- (a). That in terms of section 24 of the Municipal Finance Management Act, 56 of 2003, the annual budget of the municipality for the financial year 2014/15; and indicative allocations for the two projected outer years 2015/16 and 2016/17; and the multi-year and single year capital appropriations be approved
- (b) That the revenue source that will be utilised to fund both operating and capital budgets be noted and approved. That the sources to fund both operating and capital budgets be noted and approved.
- (c) That the Municipality's annual allocation of R56 736 402 uThukela Water for the provision of bulk water be approved.
- (d) That in terms of section 24(2)(c)(i) of the Municipal Finance Management Act, 56 of 2003, and sections 74 and 75A of the Local Government Municipal Systems Act, 32 of 2000 as amended, the tariffs for the supply water, electricity, waste services, sanitation services and property rates as set out Annexure F that were used to prepare the estimates of revenue by source, be approved with effect from 1 July 2014 for all services except for water and electricity consumption, which be levied on the new tariff with effect from 01 August 2014.
- (e) That the Tariff of Charges be approved.
- (f) That in light of the increased property values as per the new valuation roll, there be no increase in tariffs for Property Rates
- (g) That Water, Refuse and Sanitations tariffs be increased by 7% and other tariffs be increased by 10%.
- (h) That the new advertising bylaws and its revised tariff structure as contained in the Tariff of Charges be noted and approved.
- (i) That Electricity tariffs be increased by 7.39% as per directive from NERSA and that the Inclining Block Tariff (IBT) will be applied.
- (j) That in terms of the Indigent Policy, the monthly household earnings of an indigent application be increased to R3, 500.
- (k) That the indigent account holders be further subsidised to cover the entire electricity basic charge,
- (l) That the Customer Care, Credit Control and Debt Collection Policy be note and approved.
- (m) That the Supply Chain management Policy be noted and approved.
- (n) That the Rates Policy be note and approved.

- (o) That the Tariff Policy be note and approved.
- (p) That the Debt Write-off Policy be note and approved.
- (q) That the Cash Management and Investment Policy be note and approved.
- (r) That the Budget Policy be note and approved.
- (s) That the Virement Policy be note and approved.
- (t) That the Fixed Assets Management Policy be note and approved.
- (u) That the Funding and Reserve Policy be note and approved.
- (v) That the Borrowing Policy be note and approved.
- (w) That the Petty Cash Policy be note and approved.

3. EXECUTIVE SUMMARY

OVERVIEW OF THE MUNICIPALITY

Newcastle Municipality is located in the inland region on the Northwest corner of KwaZulu-Natal, a few kilometres south of the Free State and Gauteng provincial borders, in the foothills of the Drakensberg.

The municipality covers an area of 1,855 km², has a population of 332,980 by Census 2001 figures and is made up of 31 wards.

The Newcastle municipal area is the most densely populated municipality in the District and constitutes 71% of the total population of the Amajuba District Municipality, and 3.5% of the total population within KwaZulu-Natal.

From the 2011 Census figures, Newcastle has a very young population with most being in the 15 to 34 age group. This implies that most are in the active age group and hence planning is required for more employment opportunities. This is a challenge that needs a strategic approach in light of the general economic dynamics of the district as a whole.

The income breakdown of Newcastle further qualifies the fact that there are limited formal employment opportunities in the area. More than 60% of the population has an income of less than R1 500 a month.

More than 48% have an income of less than R1000 per month. The number of people with no income has also trebled since the 1996 census. This has seen an increase in the indigent population from 220 to approximately 19,000 since March 2005. 60% of the population of Newcastle is mainly urban with 59,423 living in formal housing, 6,851 living informal settlements and 4,649 in traditional housing.

Newcastle is a secondary city offering employment opportunities to the surrounding rural hinterland and acts as the district's urban core. It therefore provides employment opportunities to the whole district. The greatest challenge is to provide housing accommodation and the essential services to meet the increasing demand especially around the urban core where a lot of informal settlements are sprouting up.

The following are the statistics for Newcastle drawn from the Census 2011 information presented by the Statistics South Africa.

Criteria	Newcastle %
Unemployment rate	54%
Population employed	27%
Population unemployed	32%
Population not economically active	40%
Access to electricity for lighting	84%
Access to refuse removal	71%
Piped Water inside dwelling	58%
Age group below 19	50%
Population with toilet connected to sewer	56%

The district as a whole is facing decline in GGP in all sectors. The economy of the district has experienced a change from a dominant manufacturing base to a services base.

There has been some growth in the trade, construction and community services sectors. The economy of Newcastle is however dominated by clothing and textiles, chemicals and metals. Although the district as a whole has a number of challenges due to the declining economy a lot of initiatives are underway to revive the economy.

Institutional Arrangements

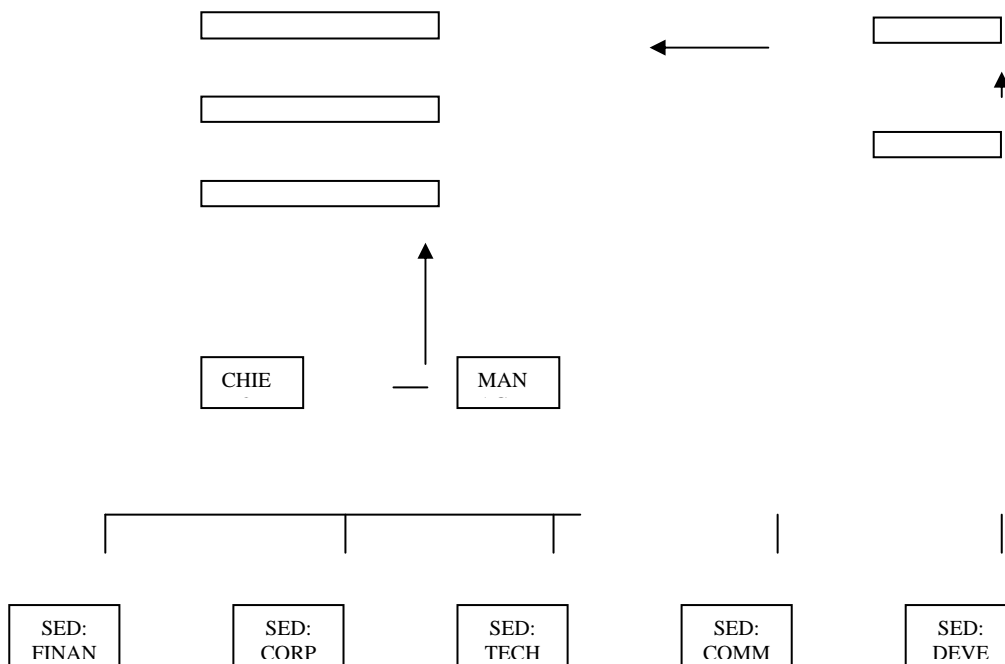
The Municipality has a staff compliment of approximately 1300 people, servicing areas of Newcastle, Madadeni, Osizweni, Blaauwbosch, Ngagane, Kilbarchan, and Charlestown.

The Newcastle Organogram (illustrated below), and as approved by Council, makes provision for a Municipal Manager, a Chief of Operations, Internal Audit, Legal Services and five Departments each headed by a Strategic Executive Director. The five Departments of the municipality are:

- Financial Services
- Corporate Services
- Technical Services
- Electrical Services
- Community Services
- Development and Planning Services

It should be noted that Council is still in the process of revising the structure which has been divided into two sections, being the macro structure and the micro structure. The macro structure has already been implemented by Council, and the micro structure is yet to be reviewed.

NEWCASTLE MUNICIPALITY: ORGANOGRAM



COUNCILLORS, EXECUTIVE COMMITTEE AND OFFICIALS

EXECUTIVE COMMITTEE

DESIGNATION	SURNAME & INITIALS	PORTFOLIO COUNCILLOR	POLITICAL PARTY	WARD
Mayor	Rehman A F	Financial services	ANC	PR
Deputy Mayor	Mdluli R N	Technical Services	ANC	13
Executive Committee Member	Hadebe T Z	Community Services	DA	PR
Executive Committee Member	Ndimba R B	Corporate Services	IFP	PR
Executive Committee Member	Kunene N P	Community Services	ANC	PR
Executive Committee Member	Lukhele S B M	Planning & Development	NFP	PR
Executive Committee Member	Ntombela B S	Corporate Services	ANC	12
Executive Committee Member	Shunmugan M	Planning & Development	ANC	3
Executive Committee Member	Vorster J A	Technical Services	IFP	PR

COUNCIL

DESIGNATION	SURNAME & INITIALS	POLITICAL PARTY	WARD
Speaker	Zikhali M F	ANC	14
Councillor	Bam V V	IFP	PR
Councillor	Bhekiswayo M M	ANC	26
Councillor	Buhali M V	AZAPO	PR
Councillor	Buthelezi D R F	ANC	10
Councillor	Buthelezi S S E	ANC	8
Councillor	Cronje E	DA	2
Councillor	Damons J M E	DA	PR
Councillor	De Jager	DA	4
Councillor	Dube C L	NFP	PR
Councillor	Dube D X	IFP	PR
Councillor	Gabuza J K	ANC	24
Councillor	Gama F P	ANC	9
Councillor	Hlabisa T S	ANC	22
Councillor	Hlatshwayo M M E	ANC	PR
Councillor	Hlatshwayo S B	IFP	7

Councillor	Keeka I	DA	PR
Councillor	Khoza L G	ANC	5
Councillor	Kubheka C B	IFP	PR
Councillor	Kubheka S	ANC	1
Councillor	Madonsela H S	ANC	31
Councillor	Malindi H T	ANC	11
Councillor	Mashinini A M M	RLP	PR
Councillor	Matthews N S	ANC	15
Councillor	Mbatha J S	ANC	6
Councillor	Mbatha Z J	ANC	20
Councillor	Mbokazi M N	ANC	29
Councillor	Mlangeni M S	IFP	PR
Councillor	Mdlalose M O	ANC	19
Councillor	Mkhize C N	AZAPO	PR
Councillor	Mkhwanazi H N	ANC	30
Councillor	Mlangeni M G	IFP	PR
Councillor	Mlangeni M S	IFP	PR
Councillor	Mncube G A	FEDCON	PR
Councillor	Msibi N A	ANC	27
Councillor	Ndlovu S G	ANC	21
Councillor	Ngcobo M E	ANC	25
Councillor	Ngobese N J	ANC	23
Councillor	Nhlapho C L	IFP	PR
Councillor	Nkosi D J Z	IFP	PR
Councillor	Ntshangase N T	NFP	PR
Councillor	Nyembe E M	ANC	16
Councillor	Nzuze T M	IFP	9
Councillor	Shabalala D O	ANC	28
Councillor	Sibilwane D M	ANC	17
Councillor	Thwala S M	ANC	PR
Councillor	Tshabala D E	ANC	18
Councillor	Zulu S J (Prince)	RLP	PR
Councillor	Zulu T M	IFP	PR
Councillor	Zungu E M	NFP	PR
Councillor	Zwane M E	NFP	PR
Councillor	Zwane M M	AZAPO	PR
Councillor	Zwane N A	ANC	PR

SENIOR OFFICIALS

DESIGNATION	SURNAME & INITIALS
Municipal Manager	Masange K
Acting Strategic Executive Director: Budget and Treasury Office	Dube S.G.L

Strategic Executive Director: Corporate Services	Hauptfleisch E
Strategic Executive Director: Technical Services	Dube S
Strategic Executive Director: Community Services	Sithole M.P
Strategic Executive Director: Electrical Services	Zincume L
Strategic Executive Director: Development and Planning Services	Thusi N
Chief of Operations	Mswane B E
Executive Manager: Legal Services	Nkosi E M
Senior Audit Executive	Chenia S

DRAFT MEDIUM TERM BUDGET 2014/15 TO 2016/17

INTRODUCTION

The purpose of the 2014/15 medium-term budget is to comply with the Municipal Finance Management Act (No.56 of 2003) and is a financial plan to enable the municipality to achieve its vision and mission through the IDP which informs the Newcastle Municipality's five-year programme and community/stakeholder inputs.

The tabling of the 2014/15 budget is a statement of our commitment to the people of Newcastle, proposing a total budget of R2.3 billion, comprising R441.2 million for capital and R1.8 billion operating budget. The 2014-2017 multi-term budgets posed many challenges and obstacles which had to be addressed and accommodated by the limited financial and other resources. It is worth mentioning that the municipality has increased the indigent benefit from R3000 to R3,500 and the indigents have further been subsidised as the basic charge of electricity will now be covered by the municipality. Tariffs on services other than electricity have been increased by 7% which is slightly more than the inflation forecast. This is due to the fact that the municipality wants to continue rendering services in a sustainable manner and also roll out service to other areas that are currently not getting them.

The budget has been prepared in compliance with the new Budget Format and Reporting Regulations. The tabling of draft budget was as a journey towards consultation processes with communities throughout the municipal area and all other relevant stakeholders, which will take place during the later days of March, April and May 2014. Comments and inputs from various stakeholders will be considered during the consultation process after which the final budget will be presented by His Worship, Mayor Afzul Rehaman before the municipal council.

OPERATING BUDGET

REVENUE

The following are proposed tariff increases and other allocations as indicated below:

Assessment Rates	5%
Electricity	7.39%
Refuse Removal	7%
Water	7%
Sewer	7%

- There will be no increase in Property Rates tariffs but revenue from this source will increase from R179.1 million to R227.3 million. This is due to the increased property values recorded by the municipality's new valuation roll. As a result of these increased property values, the municipality took a decision not to implement any tariff increase as this would have resulted in a double increase of tariffs.
- Revenue from Electricity sales is estimated to be R609.5 million which is an increase of R41.9 million from R567.6 million in the 2013/14 budget. It should be noted that the increase of 7.39% relates to Eskom tariff increase on average tariffs, and it be noted that municipality will also be purchasing electricity at a price which has been increased by 8.06% from Eskom.
- Revenue from Water sales will increase from R153.6 million to R164.4 million which is an increase of R10.8 million. Water tariffs will increase by 7% from the 2013/14 budget.
- Sanitation is expected to generate an estimated amount of R90.3 million to the operating revenue, representing an increase of R5.9 million from the 2013/14 budget. Sanitation tariffs will be increased by 7% from the 2013/14 budget.
- Revenue from Refuse Removal is estimated to be R73.5 million which is an increase of R9.9 million from the 2013/14 budget. A 7% increase will be levied on refuse removal tariffs.
- Total grant allocations to fund operating budget are expected to be R299.5 million. These operating grants are the equitable share, the Municipal Systems Improvement Grant (MSIG), the Finance Management Grant (FMG) and various other provincial allocations. The equitable share allocation to be received from National Government increased from R276.6 million to R284.8 million.

Total revenue for the 2014/15 financial year is estimated to be **R1 511 139 337**.

OPERATIONAL EXPENDITURE

- Employee Related Costs have increased from R375.5 million to R398.9 million and this is an increase of R23.4 million. A provision of 6.79% has been made in respect of salary increases for the 2014/15 financial year which will be implemented on 1 July 2014. The final increase will be determined by the Local Government National Bargaining Council in due course. Councillors' remuneration has been increased from R16.8 million to R18.1 million. A provision of 5% has been made in respect of salary increases for councillors which will be determined by the MEC for CoGTA at the beginning of 2015.

- Expenditure on Repairs and Maintenance is expected to increase from R77.6 million to R93.6 million. This marks an increase of R16 million from the 2013/14 budget.
- Expenditure on Bulk Purchases of Electricity remained has increased from R400 million to R432.2 million. This is an increase of 8.06% which was decided on by NERSA.
- The municipality's contribution to uThukela water increased from R53 million to R56.7 million which is an increase of 7%. This is a sharp decline from the contributions of the previous years. This is mainly due to the fact that the municipality took over the water reticulation function from 1 July 2013.
- Expenditure on provision for Debt Impairment has increased from R90.1 million to R296.7 million. During the previous years, there was an under-provision on this item. The municipality has decided to realistically determine this amount taking into account the fact that the monthly average revenue collection rate is 74%. This item has hugely contributed to the operational budget deficit that the municipality recorded on the 2014/15 budget. Had the basis used to determine the provision for Debt Impairment been applied in 2014/15, the operational budget deficit would have been R127.3 million.
- Provision for Depreciation has been set at R238 million and is based on the asset register and the anticipated new capital acquisitions.
- Expenditure on Finance Charges has increased from R10.4 million to R22.2 million. This represents an increase of R11.8 million. This is due to additional loan that will be raised fund new capital projects.

The municipality's 2014/15 draft operational budget yields an operating deficit of R327.5 million. As mentioned above, this deficit is mainly due to a sharp increase in the provision for Debt Impairment. The move from a balanced budget approach to a funded budget approach means that the municipality's budget need not to balance but must be funded. The municipality's budgeted cash flow yields a cash surplus which means that the municipality's budget is adequately funded.

CAPITAL BUDGET

The municipality's total capital budget for the 2014/15 financial year amounts to R484.5 million, which will be funded as follows:

Grants and Subsidies: R147.9 million
 Reserves : R11.5 million
 External Loan : R281.8 million

ISSUES NOT ADDRESSED IN THE 2014/15 BUDGET

Operating Budget

- Filling of all critical vacant positions as per new department structures
- Possible demands for higher salary increase than budgeted, especially back pays in terms of the Wage curve and Categorisation Collective Agreement.
- Potential cash outflow due to the under provision for bad debt provision.
 - Free basic electricity limited to 50kW to indigent households.

Water Budget

- Funding to address water infrastructure problems may be inadequate.
- Provision of funds to implement and monitor water restrictor system.
- Free basic water limited to 12kl to indigent households.

ALIGNMENT WITH NATIONAL AND PROVINCIAL PRIORITIES

The Newcastle Municipality's IDP and Medium-term budget need to align with national and provincial initiatives to ensure optimal impact from combined effort of government. The Municipality is confident that this budget is structured to give effect to the strategic priorities and support long-term sustained growth and development in line with National and Provincial objectives.

The following priorities are part of National Government's framework to enhance the social, cultural and economic welfare of all South Africans.

- Expanding investment in the built environment and increasing access to basic services
- Enhancing skills and quality of education
- Reducing levels of crime and enhancing citizen safety
- Improving the provision of healthcare and broadening programmes
- Sustaining employment growth through increased public investment spending

The 2014/15 medium term budget seeks to address a number of these priorities by, amongst others, wider provision of municipal services, free basic services for indigents, initiatives to encourage capital spending to provide a vast public infrastructure.

5. BUDGET TABLES AND RELATED CHARTS

As attached in Annexure A - A1 Schedule

5. OVERVIEW OF BUDGET PROCESS

Political Oversight of Budget Process

The concept of political oversight over the budget process is an important one and it is the key to ensuring that strategy informs budget.

The political oversight role of the Mayor is contained in Section 53 (1)(a) and (b) of the Municipal Finance Management Act (MFMA). It requires that the Mayor must provide political guidance over the budget process and the priorities that guide the preparation of the budget. It further requires that the Mayor co-ordinate the revision of the IDP and the preparation of the annual budget and to determine how the IDP is to be taken into account for the purpose of the budget.

The demands on the Municipality to address service delivery backlogs and to improve service delivery to all of its citizens, within current financial resources, are challenging. Political oversight of the budget process is therefore essential to ensure that the priorities of the municipality are addressed through budget allocations.

Schedule of Key Deadlines Relating of Budget Process

One of the objectives of the budget timetable is to ensure the development of IDP and the budget and also to ensure that a funded budget is tabled for consideration and approval. The timetable schedule for the compilation of the 2014/15 budget cycle was approved by Council during August 2014 in compliance with the MFMA. The timetable was also submitted to both Provincial and National Treasuries.

Process for Consultations with Stakeholder Groups and Outcomes [MFMA 21(1)(b)]

Section 22 of the MFMA requires that after tabling of the annual budget in Council, the municipality must make public the draft budget and also invite the local communities to submit representations thereon. Accordingly the tabling of this draft budget in the Council on 18 March 2014 will be followed by the following activities:

- The summarised draft budget and consultation meetings will be published in News Letter
- Draft budget will be submitted to Provincial and National Treasuries as well as Department of Provincial and Local Government
- The Draft budget will be presented to the IDP Representative Forum
- The Draft budget will be presented to the Ward Committees
- Public meetings will be held in various wards
- The Draft budget will be presented to the Business Community
- The Draft budgeted document will be generally distributed to libraries and other municipal offices to allow the wide invitation of comments and representations to the draft budget.

The public budget road show meetings will take place during March, April and May 2014. The schedule of budget road shows will be publicized in the local newspaper, website, and libraries as well as in the municipal notice boards.

6. OVERVIEW ALIGNMENT OF IDP AND BUDGET WITH, MONITORING AND IMPLEMENTATION THROUGH SERVICE DELIVERY BUDGET IMPLEMENTATION PLANS

PURPOSE

This document presents an Integrated Development Plan (IDP) for Newcastle Local Municipality (NLM). The IDP is prepared in compliance with the requirements of Chapter 5, particularly Section 25 of Local Government Municipal Systems Act (32 of 2000), which obliges a municipal council to adopt a single, all inclusive and strategic plan for the development of the municipality, within a prescribed period after the start of its elected term. It outlines a development agenda for the municipality for the next five years. The Newcastle Municipality has undertaken its third round of its IDP process after the inception of new Council after 18 May 2011 local government elections.

INTRODUCTION TO NEWCASTLE MUNICIPALITY

Newcastle Local Municipality is one of the three local municipalities that make up Amajuba District. This is required located on the northwest corner of KwaZulu-Natal, and borders onto Free State and Mpumalanga provinces to the west and north respectively. Utrecht and Dannhauser local municipalities are located along the eastern and southern boundary. It covers an area of approximately 1854km². Total population in the NLM is estimated at 363236 people spread unevenly among the thirty one (31) wards with nearly 80% residing within the Newcastle East. Newcastle population is relatively young with 46% of the population being younger than 19 years of age, while the age group between 20 and 34 years accounts for 27% of the population. Newcastle accounts for 73% of the district population.

The municipal boundaries were delineated in terms of the Municipal Demarcation Act, (Act No. 27 of 1998) and takes into account population movement trends, regional economic patterns and current land use pattern. As such, the boundaries are not just administrative, but are also intended to promote social and economic development while also strengthening regional economic and functional linkages. Newcastle is well placed to benefit from regional economic growth given its strategic location at the nexus of major tourism, logistics, farming and industrial routes, and as the seat of government in KwaZulu Natal. Newcastle is centrally located in the northern region, of KZN halfway between Johannesburg and the harbours of Durban and Richards Bay, contributes to the export of manufactured goods, as well as for distribution to the Gauteng market. Newcastle is also provided with good access infrastructure to these areas, which includes road and rail networks. It is situated on the national rail route between the Durban Container Terminal and City Deep in Gauteng, and has within its confines, major rail exchange yards, supporting railway stations and extensive goods conversion/warehousing facilities.

DEVELOPMENT STRATEGY

NLM development strategy is based on a long-term vision, but acknowledges the significance of issues that needs to be addressed in the short to medium term. As such, the municipality has formulated development goals that seeks to address the challenges facing the institution currently and reposition the area in a development path as follows:

- To develop Newcastle as a service and industrial hub.
- To eradicate all forms of poverty and destitution/indigence.
- To be an example of service and governance excellence.
- To improve the quality of life.

- To achieve environmental sustainability.
- To promote gender equality and empowerment.

In the short to medium term, the municipality will initiate projects with clear targets and outputs towards the attainment of these goals. It will accelerate delivery of services and gradually consolidate outcomes so as to attain the desired future situation.

Particular focus will be paid to the following key areas of strategic intervention:

- **Spatial integration and environmental sustainability:** Particular focus will be paid on developing systems and procedures for effective land use and environmental management.
Local economic development: The municipality has a responsibility to create a climate conducive for public and private sector investment. As such, the municipality is committed to work with other government agencies and departments to deliver state of the art economic infrastructure that will facilitate development of effective service and industrial sectors.
- **Service delivery and infrastructure development:** The NLM is the sphere of government that is closer to the communities. This bestows a huge responsibility to delivery services where the municipality is directly responsible and coordinate the delivery of services that fall outside the constitutional obligations of the municipality.
Municipal transformation and organisational development: The attainment of development goals as outlined above requires the municipality to establish effective systems and procedures for both municipal administration and local governance. This includes attracting and retaining well trained, experienced and committed employees.
- **Municipal financial viability and management:** Funds will be a critical input in process towards the attainment of the above-outlined goals. As such, it is critically important to ensure that the municipality is able to generate sufficient funds to be able to deliver services and facilitate development. Also important is ability to account for the use and disbursements of public funds.
- **Good governance and public participation:** The municipality is committed to putting in place systems and procedures for accountable local governance. This includes oversight responsibilities, auditing function, risk management, etc. Members of the public will be kept informed and engaged in all municipal affairs.

STATUS QUO ANALYSIS

Future development within NLM should respond directly to the development trends, patterns, needs and aspirations of those who live and/or work within the area. It must be relevant to the local context while also contributing to the attainment of the provincial and national development imperatives. This section provides a detailed analysis of the current development situation within the NLM. It is structured substantially in accordance with the Key Performance Areas (KPA), but also considers issues that are pertinent to Newcastle Municipality. The national KPA's are as follows:

- Social and economic development.
- Infrastructure development (service delivery).
- Institutional development and corporate governance
- Financial management
- Democracy and good governance.
- Spatial planning and Environment

SOCIO-ECONOMIC PROFILE

DEMOGRAPHIC PROFILE

POPULATION SIZE AND GROWTH PATTERNS

The official government figures reflected in the 2011 census data estimates the total population of the NLM to 363 236 people. This marks a net population increase of 0.87% per annum between 2001 and 2011. It is noted that between 1996 and 2001, population increased by 2.93% per annum. This means that although the population continues to increase, rate of growth is declining.

Table 1: Population Size – Amajuba District and Newcastle Municipality

TOTAL POPULATION BY MUNICIPALITIES	TOTAL POPULATION		% POPULATION GROWTH	
	2001	2011	2001	2011
Newcastle	332981	363236	2.93	0.87
Emadlangeni	32277	34442	6.00	0.65
Dannhauser	102779	102161	0.71	-0.06
Amajuba	468036	499839	2.61	0.66

Source: Stats SA, 2011 Census Data

This trend is characteristic of the whole district with municipalities such as Dannhauser recording a negative growth rate. Population growth rate in Newcastle is above district average of 0.66% making Newcastle the fastest growing municipality in the district in terms of population.

Newcastle accounts for 73% of the district population. 20% of the district population resides in Dannhauser while only 7% is found in Emadlangeni Municipality.

SOURCES OF ENERGY

The municipality with the assistance of ESKOM has made substantial progress with the provision of electricity throughout its area of jurisdiction. 69 800 and 73 449 households are using electricity for cooking and lighting respectively. The number of people using sources of energy such as paraffin, wood, gas, coal, etc has declined substantially.

However, there is a few areas where lack of services has been reported. These include informal settlements and areas that were settled after the settlement was electrified.

ACCESS TO WATER

Water supply infrastructure in Newcastle Municipality varies between areas reflecting the impact of separate development and urban bias of the past planning and development practices. Newcastle town is generally well provided with water while a few households in Madadeni and Osizweni Townships are experiencing shortage in this regard. Severe backlogs have been reported in rural wards where the level of backlog is high. A review of the 2011 census data reveals that 50% of the population has water inside their dwelling units. However, a significant number of people (more than 35% still obtain water beyond a 200m radius of communal stand pipes. People who do not have access to piped water account for only 4% of the total population.

The Newcastle Municipality, in line with National policy on FBW, makes budgetary provision of 12kl per household for indigent families, funded through the Equitable Share. The recently updated

Water Services Development Plan (WSDP) indicates that there has been a reduction of 18% in water backlogs between the 2002 and 2010 with an existing water service backlog of 24%. Breakdown of the level of access to water by municipal wards is indicated on the table below:

Table: 6: Access to Sanitation by Wards

Source of water services provider)	Regional/local water scheme (operated by municipality or other water services provider)									
	Borehole	Spring	Rain water tank	Dam/pool/	River/	Water tanker	Other			
Municipal Wards	851	933	452	93	94	258	20	341	87	
Ward 13 242	6	1	2	1	5	5	20			
Ward 22 294	16	1	3	9	12	8	7	34		
Ward 32 789	6	-	7	3	1	8	13	9		
Ward 42 873	7	1	1	3	1	6	4	8		
Ward 53 821	82	11	29	5	7	55	552	249		
Ward 63 216	32	2	15	6	5	20	93	239		
Ward 71 765	17	-	1	2	-	5	49	22		
Ward 83 632	11	-	3	-	-	4	5	70		
Ward 92 108	2	-	1	1	-	5	7	38		
Ward 10	2 436	8	4	1	4	-	12	4	32	
Ward 11	1 701	31	7	2	1	-	7	14	68	
Ward 12	1 667	3	3	1	-	-	2	7	6	
Ward 13	3 287	13	5	2	2	-	-	89	214	
Ward 14	1 444	216	27	5	12	4	13	280	212	
Ward 15	2 613	117	2	7	2	-	5	17	345	
Ward 16	2 368	8	-	-	-	-	25	1	7	
Ward 17	2 148	99	-	1	-	-	20	29	277	
Ward 18	2 215	21	7	1	6	1	2	230	22	
Ward 19	3 705	41	1	4	-	-	12	11	17	
Ward 20	2 583	118	5	76	2	12	17	149	136	
Ward 21	1 949	1	-	2	-	-	5	4	1	
Ward 22	1 800	7	-	2	-	-	11	112	9	
Ward 23	2 906	25	2	1	2	-	3	4	17	
Ward 24	3 382	301	1	2	-	5	6	-	13	
Ward 25	1 601	4	-	1	1	-	2	1	8	
Ward 26	2 453	6	-	-	2	-	5	1	14	
Ward 27	1 633	2	5	1	4	1	1	7	8	
Ward 28	2 497	2	-	2	1	-	8	17	8	
Ward 29	2 576	13	2	7	5	1	5	87	24	
Ward 30	2 171	87	4	1	1	2	9	270	81	
Ward 31	75 725	2 235	545	278	169	312	305	2 411	2 292	
Grand Total	75 725	2 235	545	278	169	312	305	2 411	2 292	

Source: Stats SA, 2011

The graph below illustrates the demand for water and indicates the crisis that might face NLM is water issues are not given priority within LM.

ACCESS TO SANITATION

Similarly, the peri-urban and rural areas with the JBC and rural settlements in the Khathide and AmaHlubi communities are characterised by high sanitation backlogs. The JBC node has no sewerage reticulation in place. The residents rely on over 15 000 ventilated improved pit (VIP)

latrines. Most of the VIPs are full and the Municipality spends about R1,0 million every month in de-sludging the VIPs. Plans are underway to formalize Blaawbosch and considerable sewage flows are expected.

Source: Stats SA, 2011

A breakdown of level of access to sanitation by municipal wards is indicated in the table below. 688 people said to be on bucket system is a source of concern and will be attend immediately.

Table: 7: Access to Sanitation by Wards

MUNICIPAL WARDS	NONE FLUSH TOILET (CONNECTED TO SEWERAGE SYSTEM)		FLUSH TOILET (WITH SEPTIC TANK)		CHEMICAL TOILET		PIT TOILET WITHOUT VENTILATION		BUCKET	
WITH VENTILATION (VIP)	TOILET	OTHER	TOILET	OTHER	TOILET	OTHER	TOILET	OTHER	TOILET	OTHER
Ward 1168	456	343	87	136	1777	36	124			
Ward 22	3259	14	-	2	-	2	2			
Ward 319	2339	2	-	10	6	1	6			
Ward 4-	2802	9	-	15	4	-	5			
Ward 52	2888	3	-	3	2	-	7			
Ward 6440	28	23	583	1577	1993	22	145			
Ward 7329	804	38	170	1151	891	241	4			
Ward 821	1673	99	4	53	2	4	7			
Ward 9337	1917	52	128	702	546	10	32			
Ward 10	62	2075	19	-	2	1	1	2		
Ward 11	18	1649	42	283	9	122	7	372		
Ward 12	42	17	12	21	21	1580	2	137		
Ward 13	7	1505	1	6	5	148	10	7		
Ward 14	14	75	13	422	1180	1851	42	15		
Ward 15	85	7	5	35	44	1868	7	163		
Ward 16	156	18	12	28	91	2659	19	127		
Ward 17	17	2169	17	1	3	138	28	37		
Ward 18	65	333	49	160	143	1691	18	117		
Ward 19	31	1006	20	559	253	617	3	17		
Ward 20	68	3253	201	17	9	17	168	58		
Ward 21	24	1970	240	127	88	620	4	25		
Ward 22	2	1878	53	2	-	-	22	3		
Ward 23	1	1608	270	2	1	12	6	39		
Ward 24	17	2864	19	1	21	2	3	34		
Ward 25	120	2444	10	4	14	1040	5	73		
Ward 26	11	1600	2	-	-	1	-	3		
Ward 27	6	1651	19	139	481	6	6	173		
Ward 28	5	1643	10	1	2	-	-	-		
Ward 29	36	1325	71	186	675	230	3	8		
Ward 30	78	1724	18	118	328	383	13	57		
Ward 31	115	54	18	897	817	707	3	16		
Grand Total	2298	47034	1705	3981	7836	18914	688	1816		

VISION, MISSION AND CORE VALUES

The following vision and mission statement for Newcastle Municipality were formulated at a strategic planning session with active participation of both the political and administrative

components of the municipality. The vision commits the municipality to sustainable, integrated, equitable and effective development.

NEWCASTLE MUNICIPALITY DEVELOPMENT VISION

MISSION STATEMENT

The mission statement acknowledges the objects of local government as outlined in various local government legislation and given effect through the IDP and the associated sector plans. It also seeks to align the municipal strategic activities, structure and resource allocation with the powers and functions as prescribed in the Constitution.

LONG-TERM GOALS

NLM development strategy is based on a long-term vision, but acknowledges the significance of issues that needs to be addressed in the short to medium term. As such, the municipality has formulated development goals that seeks to address the challenges facing the institution currently and reposition the area in a development path as follows:

- To develop Newcastle as a service and industrial hub.
- To eradicate all forms of poverty and destitution/indigence.
- To be an example of service and governance excellence.
- To improve the quality of life.
- To achieve environmental sustainability.
- To promote gender equality and empowerment.

KEY DEVELOPMENT CHALLENGES

REGIONAL ROLE AND SIGNIFICANCE OF NEWCASTLE

The identification of Newcastle as an important secondary investment node with potential for industry, agriculture and tourism, indicates its importance on a regional and provincial scale. Newcastle is strategically located halfway between Johannesburg and the harbours of Durban and Richards Bay, and is well connected to these centres by means of both rail and road infrastructure. The N11, P612 and the P483 are some of the roads running through the NLM serving a national, provincial and regional function.

The town serves as an administrative and economic hub for the north-western part of KwaZulu-Natal. This includes the whole of Amajuba District and some of the surrounding areas in Mpumalanga Province and Umzinyathi District. This raises a key question whether the town is developed with sufficient infrastructure and has enough capacity to play its role as a sub-regional economic hub. Some of the critical infrastructure includes tertiary education and health facilities, regional government offices and sports facilities. Equally important is the ability to create employment opportunities and absorb the urbanising labour force. Therefore, planning for the future development of the NLM should go beyond a narrow focus on local issues and incorporate regional social and economic issues.

URBANISATION – SUSTAINABLE HUMAN SETTLEMENTS

Urbanisation is the process in which the number of people living in cities increases compared with the number of people living in rural areas. An area is considered to be urbanised when over 50% of its population lives in urban places. Rate of urbanisation in Newcastle has been very rapid, resulting in the development of settlements along P483 in particular as linear settlements from

KwaMathukuza through JBC to Khathide in the north. Rapid urbanisation brings with it many problems as it places huge demands on land, water, housing, transport and employment. In Newcastle like many other South African Towns, apartheid has made the problems of urbanisation more complex. Urbanisation of black people was made difficult by forcing them to live in areas far from the town. With the lifting of racial restrictions on where people may live and work, many unemployed people have migrated to urban centres such as Newcastle in search of work, bringing their families with them. The shortage of accommodation in town has forced them to live in informal settlements hence the informal settlements that are spread throughout the area with huge concentrations in the eastern areas. Land under the control of Ubohlebozinyathi Community Authority has also been specifically targeted as these areas present opportunities for a rural lifestyle in an urban context. This presents the municipality with a challenge to devise strategies to manage the urbanisation phenomenon, and ability to undertake pro-active planning in anticipation of population growth. All housing projects undertaken to-date have been reactive.

INEFFICIENT SPATIAL STRUCTURE

While the regional economic development forces remain one of the main structuring elements within the NLM, the past apartheid policies have had a profound impact on the structure and functionality of the area. It fragmented communities, marginalised their economic activities and undermined their participation in the economy. It located people in areas with poor access to urban services and facilities, and effectively entrenched the philosophy of unequal development.

The NLM could broadly be described as an apartheid region in the sense that it embodies most if not all the attributes of apartheid spatial patterns. These include the following:

- Low density sprawl which is fuelled in the Newcastle West by anti-city values of suburbia which promotes large plots as an image of good urban living. Factors that contribute to urban sprawl includes continued existence of low density residential suburbs designed in terms of garden city concepts, and entrenched into the Town Planning Scheme through inflexible density controls and scheme clauses such as coverage, minimum site sizes and permissible uses, and easy access to land for settlement in the east.
- Cellular development pattern that occurs in relatively discrete pockets based on the introverted concept of neighbourhood unit or super block. This has given rise to a coarse grain urban environment characterized by single dwelling units and building ancillary thereto on large plots of land (garden city concept). As such there is a high impact on available land in relation to population size, and travel within the city is costly in terms of time. This gives rise to inefficiency in the use of energy, transportation and movement, and delivery of services.
- Separation of land uses, urban elements, races and income groups. The dominant land use pattern resembles a series of relatively homogenous blobs of different uses tied together by high speed transport routes. The separation of places of work and residence was deeply entrenched in the philosophy of urban management. A large number of the poor are living on the urban periphery further away from the opportunities.

Despite businesses being attracted to decentralised locations, the central area has shown some resilience in that new businesses have moved in to occupy space vacated by those who have moved to decentralised locations. However, decay/decline is evident in some sections of the central area.

The combined consequences of these spatial patterns have been phenomenal leaving the area with entrenched inequality and functional inefficiency. It created islands of spatial affluence in a sea of geographical misery (CSIR, July 2002:4). It created a distorted, fragmented, incoherent and inefficient settlement pattern. It also gave rise to spatial, social and economic exclusion of certain race groups to the benefit of other, and created a poorly functioning land and housing market.

ECONOMIC STAGNATION

Over the last few decades, the economy of the Newcastle Municipality area of jurisdiction experienced variable trends marked, in all, by shift from one sector to the other and general decline in both output and performance. Although some mining activities are still evident in the area, it is no longer appropriate to regard Newcastle as a coal mining town. The same applies to agriculture. Both sectors have shed a number of jobs and their contribution to the local economy is at the lowest point ever. Manufacturing remains the main economic activity in the NLM, but is itself facing a number of structural challenges which if not addressed at this juncture will relegate this sector into insignificance. These challenges include the dominance of the clothing and textile sub-sector which implies the lack of economic diversity, poor labour conditions in some of the factories and lack of new investment. In the light of this, there is an urgent need to redefine the role of Newcastle in the provincial and national economy. This may include the identification of new sectors, diversification of some existing factors and strengthening functional integration between Newcastle Town and the surrounding rural hinterland. Tourism development is also one of the key sectors that need to be explored.

POOR ACCESS TO SOCIAL FACILITIES

Huge backlogs in the delivery of public services have been identified as one of the key issues facing Newcastle Municipality. It manifests itself in the following forms:

- Poor condition of schools, which does not contribute to building a culture of learning and teaching.
- Poor access to institutions for early childhood education. This field has been identified by the national government as a priority area of intervention.
- Poor access to health services which affects delivery of primary health care. The latter is a strategy used by the national government to deliver health services.
- Poor access to library services which also affects the development of a culture of learning and teaching.
- Poor access to welfare services including pension pay points, magistrate services, etc.
- Poor access to cemeteries.

Attention should be given to lack of sportfields, parks and swimming pools in the MBO area in order to revive the sport in Newcastle considering that the municipality has a history of producing world stars on soccer.

INFRASTRUCTURE BACKLOG

Access to basic services is one of the main elements of socio-economic wellbeing of an area. The status of the physical and economic development level of a community such as that of Newcastle is often measured based on the provision and quality of infrastructure for technical services, i.e. access to roads, electricity, water and sanitation. These are found to be a huge challenge for Newcastle Municipality whereas the town suffers from maintaining of existing services while rural areas have no basic services at all. In addition, the Newcastle Local Municipality is challenged with the maintenance and development of basic road and storm water infrastructure to serve the local community, particularly in the Newcastle East. This will be severely constrained by limited financial resources. Public transport plays an important role in the economy of Newcastle and deserves some attention in the planning efforts of the municipality.

POOR QUALITY OF THE ENVIRONMENT

The quality of the environment within the NLM requires an urgent attention. This is symbolized mainly by the following:

- Deteriorating quality of water due to mining activities, pit latrines, use of pesticides and fertilizers, and other water contaminating activities.
- Poor air quality due to emissions. Equipment for air quality monitoring is in place but has not been maintained. Closer collaboration with local industries needs to be developed in this regard.
- Urbanization which results in the establishment of settlements in areas that is unsuitable for human habitation. These include floodlines, wetlands, etc.
- Waste collection and disposal. The municipality needs to work together with local communities, particularly in the townships to develop community based programs for keeping the area clean.
- General lack of active open space in the NLM, particularly the township areas.
- Dirt roads which also contribute to a sterile environment.

FINANCIAL MANAGEMENT AND ACCOUNTING

The general lack of requisite knowledge by the finance team on GRAP/GAMAP requirements culminates in:

- An inability to account for financial accounts in line with GRAP/GAMAP accounting standards;
- Reliance on consultants in preparing financial statements in line with GRAP/GAMAP requirements by municipalities already converted from IMFO to GRAP/GAMAP;
- Lack of preparedness by those municipalities still to convert to GRAP/GAMAP requirements; and
- Financial systems not geared towards GRAP/GAMAP requirements.

In addition, the financial diagnostic report identifies the following challenges in financial administration, management and reporting within municipality:

- Lack of systems of internal controls to manage assets evidenced by asset registers not updated when acquisitions, impairments or disposals are made. Reconciliations of the asset register to the general ledger not performed. Further, the existence of assets cannot be ascertained due to a lack of ongoing process to verify them.
- Inadequate revenue collection systems within municipalities evidenced by low recovery of amounts owed for municipal services from consumer debtors, Lack of procedures to enforce recovery of debts or follow-up on outstanding amounts, Lack of advice to the council on revenue enhancement mechanisms.
- Lack of month end discipline resulting in month end closure not performed, critical month end reconciliations not performed, inability to identify completeness of recording of transactions, and inability to report meaningfully to the municipal structures on financial performance;
- Poor record management resulting in difficulties in tracing financial records supporting the financial affairs of the municipality;
- Lack of processes to identify and manage unauthorised, irregular and wasteful expenditure;
- Issues raised by the Office of the Auditor General not followed up and cleared on time.

HIGH RATE OF POVERTY

Poverty manifests itself in different dimensions with income poverty and human poverty being the most common. Income poverty refers to the lack of sufficient income to satisfy basic food needs and essential non-food needs such as clothing, energy and shelter. It arises from a high rate of unemployment, poor access to productive resources, lack of marketable skills and general lack of job opportunities. Human poverty broadly refers to the lack of basic human capabilities and it arises from high representation of the members who cannot read, write and numerate food insecurity, malnutrition, declining life expectancy, increase of sickness and deaths related to preventable diseases and poor access to basic services. Overcrowding also contributes to this situation.

IMPACT OF HIV AND AIDS

Accurate statistical information about the prevalence of HIV and AIDS in the NLM could not be obtained. However, AIDS has generally been identified as one of the key factors that will influence development over the next few decades. HIV and AIDS will lead to a range of social and economic problems including the following:

- Increase in the dependency ratio as the number of the economically active who dies of AIDS increase.
- Increase in the number of orphans, which in turn may put strain on the limited welfare budget.
- Decline of population with 20 and below years of age.
- Increase in the number of households with members who need special care and treatment thus putting burden on their families, particularly women who are often the ones who look after the sick in addition to their daily activities
- Slowing of population growth.
- Lack of income in cases where breadwinners die of AIDS.
- Low productivity rate.

DEBT MANAGEMENT

Newcastle Municipality has a total debt roll amounting to R 860.3 million. The majority of this is more than 180 days old. Individual households account for R744.1 million of this amount while government departments owe about R18.3 million. This situation arises from a number of factors including the following:

- Lack of control over excessive water leaks is the main and major contributing factor for low payment factor – where does a person start paying an account when it amounts to thousands of rands.
- Indigent using excess water – about 14100 indigent accounts have arrears of R 178 million leaving only about 7000 accounts having balances of less than R 500.
- Electricity meter audit not yet finalized – awaiting technical section report
- Lack of community and or buy in from communities
- No policies regarding water leaks other than that account is to be paid
- Need an improved customer care facility, i.e. call centre, with a proper query recording system.

However, the politicians are showing the political will to resolve this predicament by resolving that a Task Team needs to be established with a clear plan to improve the payment factor.

LACK OF FINANCIAL DISCIPLINE

Lack of systems of internal controls to manage assets evidenced by:

- Asset registers not updated when acquisitions, impairments or disposals are made;
- Reconciliations of the asset register to the general ledger not performed;

- Regular verifications of assets to ascertain existence and condition not in place.

A lack of these processes contribute to delays in the submission of financial statements due to difficulties encountered in reconciling general ledger / trial balance to corresponding supporting schedules. Further, the existence of assets cannot be ascertained due to a lack of ongoing process to verify them.

Inadequate revenue collection systems within municipalities evidenced by:

- Low recovery of amounts owed for municipal services from consumer debtors;
- Lack of procedures to enforce recovery of debts or follow-up on outstanding amounts,
- Lack of advice to the council on revenue enhancement mechanisms.
- Extraordinarily large provisions for doubtful debts being posted on the Annual Financial Statements.
- Lack of month end discipline resulting in month end closure not performed, critical month end reconciliations not performed, inability to identify completeness of recording of transactions, and inability to report meaningfully to the municipal structures on financial performance;
- Poor record management resulting in difficulties in tracing financial records supporting the financial affairs of the municipality;
- Lack of processes to identify and manage unauthorised, irregular and wasteful expenditure;
- Issues raised by the Office of the Auditor General not followed up and cleared on time.

7. MEASURABLE PERFORMANCE OBJECTIVES

Draft Key Performance Indicators

NATIONAL KPA	IDP KPA	VOTE/ RESPONSIBLE DIRECTORATE	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR
FINANCIAL VIABILITY	Financial Viability and Community Communication	FINANCE	To increase the payment factor to 90% by 2011 - To encourage non-indigent consumers to pay	To implement Credit Control policy	Percentage increase in payment factor
INSTITUTIONAL TRANSFORMATION AND CORPORATE DEVELOPMENT	Financial Viability and Community Communication	ADMINISTRATION	To ensure that efficient communication mechanisms are implemented to enhance service delivery	To establish and ensure functional Ward Committees by 2007	Number of Ward Committee meetings held
INSTITUTIONAL TRANSFORMATION AND CORPORATE DEVELOPMENT	Financial Viability and Community Communication	MUNICIPAL MANAGER	To ensure that efficient communication mechanisms are implemented to enhance service delivery	To establish and ensure a functional IDP RF	Number of IDP RF meetings held
INSTITUTIONAL TRANSFORMATION AND CORPORATE DEVELOPMENT	Financial Viability and Community Communication	ADMINISTRATION	To ensure that efficient communication mechanisms are implemented to enhance service delivery	To develop mass communication mechanisms	Number of imbizo's , road shows etc
FINANCIAL VIABILITY	Financial Viability and Community Communication	FINANCE	To ensure an effective and efficient Financial Management System by 2010	To investigate a Phased approach for the review of the FMS to integrate with other Internal ICT systems	As per project process plan
FINANCIAL VIABILITY	Financial Viability and Community Communication	ADMINISTRATION	Implementing the Property Rates Act	To finalise the Valuation Roll for implementation of the Act in 2008'2009	As per process plan

NATIONAL KPA	IDP KPA	VOTE/ RESPONSIBLE DIRECTORATE	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR
FINANCIAL VIABILITY	Financial Viability and Community Communication	HOUSING AND LAND	To Improve revenue base	To ensure that land is available for development	Percentage of available land alienated
FINANCIAL VIABILITY	Financial Viability and Community Communication	INFRASTRUCTURE SERVICES	To ensure and effective and efficient Asset Management System for identified functions	To develop and implement Asset Management Plan for : - Water and Sanitation - CBD road infrastructure - Fleet Management	As per process plan
FINANCIAL VIABILITY	Financial Viability and Community Communication	HOUSING AND LAND	To ensure that service levels/standards are linked to the ability to pay for services	To ensure that all new developments comply with service standards within the beneficiary ability to pay for services	Number of social compacts signed
LOCAL ECONOMIC DEVELOPMENT	Financial Viability and Community Communication	ECONOMIC DEVELOPMENT	To facilitate the reduction of unemployment by 20% by 2011	To promote/facilitate employment	Percentage reduction in unemployment
LOCAL ECONOMIC DEVELOPMENT	Financial Viability and Community Communication	ECONOMIC DEVELOPMENT	To promote and create a conducive environment for economic growth	To promote the development of SMME's and encourage BBBEE's	Number of workshops held
LOCAL ECONOMIC DEVELOPMENT	Financial Viability and Community Communication	ECONOMIC DEVELOPMENT	To promote and create a conducive environment for economic growth	To stimulate foreign investment	Number of new business/industries attracted
INFRASTRUCTURE DEVELOPMENT	Financial Viability and Community Communication	INFRASTRUCTURE SERVICES	To promote and create a conducive environment for economic growth	To improve infrastructure needs to meet demand	Percentage of infrastructure budget spent for new developments

NATIONAL KPA	IDP KPA	VOTE/ RESPONSIBLE DIRECTORATE	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR
LOCAL ECONOMIC DEVELOPMENT	Job Stimulation and Local Economic Development	ECONOMIC DEVELOPMENT	To promote and create a conducive environment for economic growth	To develop and implement an Investment and Marketing Strategy by 2008	Number of new jobs created
FINANCIAL VIABILITY	Job Stimulation and Local Economic Development	HOUSING AND LAND	To promote and create a conducive environment for economic growth	To audit all properties in Municipal area.	Progress report
LOCAL ECONOMIC DEVELOPMENT	Job Stimulation and Local Economic Development	ECONOMIC DEVELOPMENT	To facilitate the re-opening and rehabilitation of Mines	Rehabilitation of Mines.	Progress report
INFRASTRUCTURE DEVELOPMENT	Roads & Storm Water	INFRASTRUCTURE SERVICES	To ensure that 10km of Urban Access roads and relevant storm water drainage of inaccessible roads in previously disadvantaged areas to a TAR level is addressed annually	Identify priority Urban Access Roads for upgrading	Percentage of budget spent
INFRASTRUCTURE DEVELOPMENT	Roads & Storm Water	INFRASTRUCTURE SERVICES	To improve infrastructure needs to meet demand	To develop a Storm water Master Plan	As per process plan
INFRASTRUCTURE DEVELOPMENT	Roads & Storm Water	INFRASTRUCTURE SERVICES	To ensure that all Main Taxi Routes are tarred	Investigate costs for the upgrading of Main Taxi Routes	As per process plan
INFRASTRUCTURE DEVELOPMENT	Roads & Storm Water	INFRASTRUCTURE SERVICES	To ensure that a minimum of R10m is allocated for Road and Storm water infrastructure maintenance in 2007/2008 to be escalated by 10% annually thereafter	Budget Guidelines to include minimum maintenance requirements	Percentage of budget spent

NATIONAL KPA	IDP KPA	VOTE/ RESPONSIBLE DIRECTORATE	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR
INFRASTRUCTURE DEVELOPMENT	Roads & Storm Water	INFRASTRUCTURE SERVICES	To ensure that a minimum of R10m is allocated for Road and Storm water infrastructure maintenance in 2007/2008 to be escalated by 10% annually thereafter	A 5 year maintenance plan be developed (Identify roads and prioritize as per IDP)	Progress Report
INFRASTRUCTURE DEVELOPMENT	Roads & Storm Water	INFRASTRUCTURE SERVICES	Paving of sidewalks and access roads	Identify areas of high risk for prioritization and costing	Progress Report
INFRASTRUCTURE DEVELOPMENT	Roads & Storm Water	TOWN PLANNING	TO ensure that all street names are finalized for previously disadvantaged areas	To finalise and implement street naming policy	Percentage of budget spent
INFRASTRUCTURE DEVELOPMENT	Housing and Land	HOUSING AND LAND	To ensure 50% of housing backlogs as per the waiting list being addressed by 2011	Identify suitable land for housing development for 12500 household	Percentage reduction of backlogs
INFRASTRUCTURE DEVELOPMENT	Housing and Land	HOUSING AND LAND	To ensure that 100% of beneficiaries of the EEDBC is addressed by 2008	In progress	Percentage of transfers finalised for beneficiaries approved for EEDBC
INFRASTRUCTURE DEVELOPMENT	Housing and Land	HOUSING AND LAND	Improve Customer Satisfaction	Review, implementation and monitoring of Customer Care Policy	Reduction in number of complaints received
INFRASTRUCTURE DEVELOPMENT	Housing and Land	HOUSING AND LAND	To Access additional funds for housing develop	To package applications for approval by DoH – In progress	Number of applications approved by DoH
INFRASTRUCTURE DEVELOPMENT	Housing and Land	HOUSING AND LAND	To ensure slum clearance by 2010		
INFRASTRUCTURE	Housing and Land	HOUSING AND LAND	To facilitate and fast track land reform	Engage DLA on Area Based	Progress as per Process Plan

NATIONAL KPA	IDP KPA	VOTE/ RESPONSIBLE DIRECTORAT E	OBJECTIVE	STRATEGY	KEY PERFORMAN CE INDICATOR
				Sector Plan	
INSTITUTION AL TRANSFORMA TION AND CORPORATE DEVELOPMEN T	Organisational Restructuring	HUMAN RESOURCES	To ensure 100% implementation of Employment Equity Plan by 2011	Implement the Employment Equity Plan of Council	Percentage compliance with EEP
INSTITUTIONAL TRANSFORMATION AND CORPORATE DEVELOPMENT		HUMAN RESOURCES	To ensure the implementation of HIV/AIDS strategies	Mainstreaming of HIV/AIDS strategies	As per HIV/AIDS Process Plan
INSTITUTION AL TRANSFORMA TION AND CORPORATE DEVELOPMEN T	Organisational Restructuring	HUMAN RESOURCES	To ensure that 100% of vacancies as per the reviewed Organisational Structure are filled by 2011	To ensure that vacancies are filled as budgeted	Number of vacancies filled as per budget
INSTITUTION AL TRANSFORMA TION AND CORPORATE DEVELOPMEN T	Organisational Restructuring	ADMINISTRATI ON	To ensure accessibility of municipal offices by the community by 2010	To investigate and implement strategic location of all municipal offices	Progress Report
INSTITUTION AL TRANSFORMA TION AND CORPORATE DEVELOPMEN T	Organisational Restructuring	MUNICIPAL MANAGER	To ensure an effective and functional Internal Audit	As per Audit Plan	Percentage compliance as per Audit Plan
INSTITUTION AL TRANSFORMA TION AND CORPORATE DEVELOPMEN T	Organisational Restructuring	MUNICIPAL MANAGER	To ensure that the IDP is approved and implemented	Develop IDP	As per process plan
INSTITUTION AL TRANSFORMA TION AND	Organisational Restructuring		To ensure that the IDP implemented	To finalise the restructuring process	Percentage of macro structure filled

NATIONAL KPA	IDP KPA	VOTE/ RESPONSIBLE DIRECTORAT E	OBJECTIVE	STRATEGY	KEY PERFORMAN CE INDICATOR
CORPORATE DEVELOPMENT					
INSTITUTIONAL TRANSFORMATION AND CORPORATE DEVELOPMENT	Organisational Restructuring	HUMAN RESOURCES	To adequately develop skills to improve service delivery	To review and implement the Skills Development Plan	Percentage of budget spent
INFRASTRUCTURE DEVELOPMENT	Water & Sanitation	INFRASTRUCTURE SERVICES	To ensure backlogs are addressed by 2017 in line with WSDP	To prioritise projects as per WSDP	Percentage of households with access to a minimum level of service
INFRASTRUCTURE DEVELOPMENT	Water & Sanitation	INFRASTRUCTURE SERVICES	To ensure maintenance and rehabilitation of infrastructure.	To prioritize projects as per WSDP	Percentage of budget spent
INFRASTRUCTURE DEVELOPMENT	Water & Sanitation	INFRASTRUCTURE SERVICES	To ensure a basic/minimum level of service to un-served areas by the WSP	Provision of a water tank service	Number of households using a water tanker services
INFRASTRUCTURE DEVELOPMENT	Water & Sanitation	INFRASTRUCTURE SERVICES	To reduce water and sanitation backlogs by 50% by 2011	To prioritize and fund projects as per WSDP	Percentage of backlogs addressed for water and sanitation
INFRASTRUCTURE DEVELOPMENT	Water & Sanitation	INFRASTRUCTURE SERVICES	To provide Water and Sanitation to Public Facilities(Clinics, Schools, Churches etc)	Identify facilities without service	Percentage of facilities serviced
INFRASTRUCTURE DEVELOPMENT	Water & Sanitation	MUNICIPAL MANAGER	To ensure the viability of the Entity (WSP) by 2008	Review SP Agreement – In progress	Progress Report to Council quarterly
INFRASTRUCTURE DEVELOPMENT	Water & Sanitation	INFRASTRUCTURE SERVICES	To rehabilitate bulk infrastructure in line with the WSDP	Prioritise projects and source funding as per WSDP	Progress Report

NATIONAL KPA	IDP KPA	VOTE/ RESPONSIBLE DIRECTORAT E	OBJECTIVE	STRATEGY	KEY PERFORMAN CE INDICATOR
INFRASTRUCTURE DEVELOPMENT	Water & Sanitation	INFRASTRUCTURE SERVICES	To ensure that provision of maintenance of infrastructure annually(as per budget guidelines)	Refer to WSP	Approval of budget aligned to WSDP
INFRASTRUCTURE DEVELOPMENT	Water & Sanitation	HUMAN RESOURCES	To establish a fully functional WSA	Source funding and or provide on Budget in terms of Business Plan	Progress Report
INFRASTRUCTURE DEVELOPMENT	Education/Skills Development	ECONOMIC DEVELOPMENT	To facilitate ABET in Newcastle.	To engage Tertiary institutions	Number of ABET classes confirmed with Tertiary institutions
INFRASTRUCTURE AND SERVICES	Education/Skills Development	TOWN PLANNING	To facilitate the provision of adequate Primary and secondary education facilities including crèches	To engage with DoE and relevant stakeholders	Progress Report
LOCAL ECONOMIC DEVELOPMENT	Education/Skills Development	ECONOMIC DEVELOPMENT	To facilitate the establishment of skills centres.	To engage Private and public sector	Progress Report
INFRASTRUCTURE DEVELOPMENT	Electricity	INFRASTRUCTURE SERVICES	To electrify public facilities	Identify public facilities without access to electricity	Percentage of facilities being serviced
INFRASTRUCTURE DEVELOPMENT	Electricity	INFRASTRUCTURE SERVICES	To construct high mast lights in previously disadvantaged areas	Allocation of R2m per annum to be provided for	Percentage of budget spent
INFRASTRUCTURE DEVELOPMENT	Electricity	INFRASTRUCTURE SERVICES	Provision of FBE in unlicensed areas	Identify beneficiaries in conjunction with ESKOM	Number of indigent beneficiaries receiving FBE
INFRASTRUCTURE DEVELOPMENT	Electricity	INFRASTRUCTURE SERVICES	Provision of FBE in licensed area(prepaid)	Investigate roll out of FBE to prepaid consumers in Newcastle License area	Number of indigent beneficiaries receiving FBE in licensed area

NATIONAL KPA	IDP KPA	VOTE/ RESPONSIBLE DIRECTORATE	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR
INFRASTRUCTURE DEVELOPMENT	Electricity	INFRASTRUCTURE SERVICES	To ensure that infrastructure is maintained and rehabilitated annually	Provision on Budget of 3% of value of asset annually for maintenance	Percentage of value of asset budgeted for maintenance
INFRASTRUCTURE DEVELOPMENT	Electricity	INFRASTRUCTURE SERVICES	Maintenance of lighting along Provincial roads	Engage DOT	Progress Report
SOCIAL DEVELOPMENT	Primary Health	INFRASTRUCTURE SERVICES	To improve accessibility to facilities in rural areas	Refer to Roads and Storm water	Progress Report
INFRASTRUCTURE AND SERVICES	Primary Health	COMMUNITY SERVICES	To improve health services	To engage Dept of Health	Progress Report
FINANCIAL VIABILITY	Spatial development	TOWN PLANNING	To encourage better usage of vacant land	Identify open spaces/areas for development	Number of area based plans compiled
FINANCIAL VIABILITY	Spatial development	TOWN PLANNING	To encourage better usage of vacant land	To investigate Mixed use zones as per LUMS	Number of rezoning applications processed for Mixed use zones
INFRASTRUCTURE AND SERVICES	Spatial development	TOWN PLANNING	To encourage better usage of vacant land	To ensure that the SDF is reviewed annually	Approval of SDF
INFRASTRUCTURE AND SERVICES	Spatial development	TOWN PLANNING	To encourage better usage of vacant land	To investigate CBD regeneration including parking provision and residential provision	As per CBD Development Plan
INFRASTRUCTURE AND SERVICES	Spatial development	TOWN PLANNING	To encourage better usage of vacant land	To implement Urban Renewal strategies (JBC Precinct)	Percentage of Capital budget invested in JBC
INFRASTRUCTURE AND SERVICES	Spatial development	TOWN PLANNING	To encourage better usage of vacant land	To investigate and source funding for East and West integration	Number of projects funded

NATIONAL KPA	IDP KPA	VOTE/ RESPONSIBLE DIRECTORATE	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR
				(Mad& Osizweni Corridor)	
INFRASTRUCTURE AND SERVICES	Refuse Removal	COMMUNITY SERVICES	To ensure that backlogs are addressed	Render either a Skip(Communal) or bag collection service in Blaauwbosch and Dry Cut (6000 households)	Number of household with at least a weekly service
INFRASTRUCTURE AND SERVICES	Refuse Removal	COMMUNITY SERVICES	To ensure that backlogs are addressed	To address backlogs linked to completed housing projects (Section E Osizweni and KwaMathukuza)	Percentage Reduction in backlogs
INFRASTRUCTURE AND SERVICES	Disaster Management	COMMUNITY SERVICES	To ensure that fire hydrants meets standards as stipulated in legislation	Prepare business Plan and Investigate funding sources	Progress Report
INFRASTRUCTURE AND SERVICES	Disaster Management	COMMUNITY SERVICES	To ensure that fire hydrants meets standards as stipulated in legislation	To annually review the Disaster Management Plan	As per process plan
INSTITUTIONAL TRANSFORMATION	HIV/AIDS	MUNICIPAL MANAGER	Strategy in Progress (Incorporate)		As per process plan
INFRASTRUCTURE AND SERVICES	Environment	COMMUNITY SERVICES	To ensure a safe environment	Development and implementation of EMP	Progress Report

Free and Subsidised Basic Services

Municipalities play central role in supporting economic development and alleviating poverty. The provision of basic services is a critical input to social well being and economic activity. Newcastle Municipality comprises both rural and urban areas as well as wide spread of income groups. Due to variation in living environment, the municipal area has a number of households who currently do not have access to all services.

The basic social package is an affirmation of the Municipality's commitment to push back the frontiers of poverty by providing a social welfare to those residents who cannot afford to pay, because of adverse social and economic realities. The social package will also assist the Municipality in meeting its constitutional obligations.

The estimated cost of social package amounts to R63. million for the 2014/15 budget year. Details of initiatives carried out by Newcastle Council in this regard are detailed below:

Service	Social Package	Million (R)
Assessment Rates	All residential property owners are exempt from paying rates on the first R15,000 of the property value. Indigent residents will receive 100% rebates on rates.	15.4
Water	The first 12kl of water is free to all residents qualified as indigents in terms of the policy	5.8
Electricity	The first 50kwh of electricity is free to all residents qualified as indigents in terms of the policy	4,6
Refuse	Refuse is free to all residents qualified as indigents in terms of the policy	20.7
Sewer	Sewer is free to all residents qualified as indigents in terms of the policy	16.4
Indigent Support		63

The cost of indigent benefit to tune of R63 million is funded from the equitable share provided by the National Government, which amount is based on the estimated ±19000 number of indigents currently in the Indigent Register.

8. OVERVIEW OF BUDGET RELATED POLICIES OVERVIEW AND AMENDMENTS

The Municipality's budget is guided and governed by relevant legislation and budget related policies. The main purpose of budget related policies is to guide the budget process and inform the projections of the medium-term budget.

The following budget related policies, which have been approved by Council or currently under review, are currently in force to ensure an informed smooth budgetary process and financial management of the Municipality in line with the Municipal Finance Management Act, other relevant legislation and Accounting Standards.

Tariff Policy

The current Tariff Policy, which the municipality adopted in terms of section 74 of the Local Government Municipal Systems Act, is currently being reviewed. The draft policy is still at management discussion and will soon be submitted to the Executive Committee and Council for approval.

Assessment Rates Policy

Section 3(1) of the Local Government Municipal Rates Act, 6 of 2004, and sections 62(1) of the MFMA determines that a municipality must adopt and implement a rates policy on the levying of rates on rateable properties. The policy was approved by Council in the 2009/10 financial for implementation with effect from 01 July 2009. The policy is reviewed as and when the need arises and any amendments are approved by the municipal council. A new valuation roll has recently been prepared and the property rates revenue is based on it.

Credit Control, Debt Collection and Customer Care Policy

The municipality has a Credit Control, Debt Collection and Customer Care policy and the policy is reviewed continually and any amendments are approved by the municipal council. The Budget and Treasury Office is currently busy identifying revenue enhancement strategies which will be in line with the reviewed Credit Control, Debt Collection and Customer Care Policy. The relief measures for indigent consumers are also catered for under this policy.

Supply Chain Management Policy

The municipality has a Supply Chain Management Policy was adopted by Council and is reviewed every year.

Cash Manager and Investment Policy

This policy was approved by Council with effect from January 2008 as required by the MFMA. It was considered unnecessary to further amend the policy during the current budget process.

Asset Management Policy

This policy was approved by Council as required by the MFMA. It was considered unnecessary to further amend the policy during the current budget process. The Budget and Treasury Office is

currently busy with the compilation of asset register in terms of GRAP accounting standards, which might result in the Asset Management Policy being reviewed.

Subsistence and Travelling Policy

The Subsistence and Travelling Policy was reviewed and adopted Council on January 2009. The implementation of the subsistence and travelling policy has a budgetary implication in appropriation of funds for travelling, accommodation and meals for Municipal Officials and Councillors embarking on business related trips.

Other new budget-related policies that have been submitted to Council for approval are the following:

Tariff Policy
Debt Write-off Policy
Indigent Policy
Budget Policy
Virement Policy
Funding and Reserve Policy

- Borrowing Policy
- Petty Cash Policy

9. OVERVIEW OF BUDGET ASSUMPTIONS

General Inflation Outlooks and its Impact

The global economy grew by an average of 5% from 2003 to 2007. It was a period of robust expansion but also of widening international imbalances. However, 2008 saw the gathering of storm clouds as industrialised countries moved into recession into the latter part of the year, interrupting a lengthy spell of sustained, positive growth in national and local economies. South African economy was no exception with the economy slowing sharply. Like other emerging markets we were affected by the looming recession in advanced economies. Our government has, however, adopted a macroeconomic framework and fiscal stance capable of withstanding tough times and protecting the economy during times of global economic turbulence. The Stats SA result indicated that South Africa is slowly moving out of recession, however, it is anticipated that challenges caused by recession will take more just a year to re-instate as its impact will remain with South Africa for some time. This has been evidenced by the continuing job losses and employee demands for higher wages and nationwide service delivery protests.

Newcastle Municipality, like and any other municipality, is still subjected to the impact from the global crisis as well as related ripple effects from national economy. The recent hikes in, to mention a few, electricity bulk purchases, fuel, interest rates and inability to feel critical positions in critical industries could not be interpreted in isolation of Newcastle Municipality and did therefore impact negatively on the 2013/14 budget and it will still have a huge effect on the 2014/15 medium term budget.

The 2014/15 budget has been prepared taking into account the anticipated 2.7% real growth and estimated CPI of 6.2%

Budget Guidelines

The following is the extract of the budget guidelines as approved by the Council and which was utilised in preparing the 2014/2015 medium-term budget:

Item Description	2014/15	2015/16	2016/17
Assessment Rates	0	5%	5%
Electricity tariffs	7.39%	7.39%	7.39
Water tariffs	7%	7%	7%
Sanitation tariffs	7%	7%	7%
Refuse tariffs	7%	7%	7%
Salaries and allowances	7%	7%	7%
Repairs and Maintenance	6%	6%	6%
General Expenses	4%	4%	4%

All other tariffs, except for electricity, will be increased by only 7% in order to allow the municipality to continue rendering services in a sustainable manner and roll out the services to other areas within the municipality which are still without these services.

10. OVERVIEW OF FUNDING THE BUDGET (Including fiscal overview and sources of funding)

Financial Performance Current Year 2013/2014

The adjustment budget was tabled to the Executive Committee and the Council on the 28 February 2014. Below are the highlights of what was approved in the adjustment budget, against what was originally budgeted for:

2013/14 OPERATING ADJUSTMENTS BUDGET

STANDARD ITEM	2013/14 ORIGINAL BUDGET	2013/14 ADJUSTMENTS BUDGET
OPERATIONAL REVENUE PER SOURCE		
PROPERTY RATES	(186,121,150)	(186,121,150)
ELECTRICITY	(567,581,179)	(567,581,179)
WATER	(153,603,998)	(153,603,998)
SANITATION	(84,381,556)	(84,381,556)
REFUSE	(68,644,573)	(68,644,573)
RENTAL OF FACILITIES AND EQUIPMENT	(5,889,547)	(5,889,547)
INTEREST ON INVESTMENT	(16,872,072)	(16,872,072)
INTEREST ON ARREAR ACCOUNTS	(30,000,000)	(7,598,960)
FINES	(2,570,188)	(2,570,188)
LICENCES AND PERMITS	(3,003)	(3,003)
TRANSFERS RECOGNISED- OPERATIONAL	(290,201,000)	(298,651,889)
OTHER REVENUE	(11,189,486)	(11,189,486)
TOTAL OPERATIONAL REVENUE	(1,407,540,000)	(1,396,298,000)

**OPERATIONAL EXPENDITURE
BY TYPE**

EMPLOYEE RELATED COSTS	294,220,000	375,509,506
COUNCILLORS REMUNERATION	19,030,000	16,778,590
DEBT IMPAIRMENT	90,148,510	90,148,510
DEPRECIATION	229,530,000	293,327,903
FINANCE CHARGES	16,366,000	10,429,845
AGENT FEES	62,172,675	62,172,675
AUDIT FEES	3,136,319	3,136,319
BULK PURCHASES	400,000,000	400,000,000
COLLECTION FEES	12,240,144	12,240,144
CONSULTANTS FEES	31,676,775	31,676,775
OTHER MATERIAL	3,238,222	3,238,222
REPAIRS AND MAINTENANCE	77,637,066	77,637,066
GENERAL EXPENSES	186,867,594	186,867,594
TOTAL OPERATIONAL EXPENDITURE	1,496,650,000	1,562,661,000
SURPLUS/DEFICIT	89,110,000	166,363,427

Funding of the 2014/15 Medium-Term Budget

The operating budget of Newcastle Municipality for the 2014/15 financial year will be funded from rates, tariffs, sundry charges and grants and subsidies. Assessment rates and electricity are expected to generate R246.4 million and R609.5 million respectively, while water, sewer and refuse are expected to generate R164.4, R90.3 and R73.5 million respectively. All these tariffs are expected to generate the operating revenue of R1.2 billion (77.5%) to the Municipality. Electricity tariffs alone represent about 40% of the total operating revenue.

The summary of tariff increases for 2014/15 is as follows:

➤ Rates	:	0%
➤ Electricity	:	7.39%
➤ Refuse removal services	:	7%
➤ Water	:	7%
➤ Sanitation	:	7%

Increases in the individual tariffs applicable to the above services are detailed in the tariff of charges schedule attached hereto, together with other proposed sundry tariffs. Sundry tariffs are expected to generate only about R13.8 million, which is about 1% of the total operational revenue.

Grants and Subsidies included in the operational revenue budget total to R299.5 million. This includes both conditional and unconditional operational grants.

The following issues were the challenges in the appropriation of funds when preparing the 2014/15 draft budget:

- Initiatives to improve the current payment factor
- Requirement with regard to upgrading and maintenance of existing roads and other service networks
- Departmental requirements regarding the filling of critical and vacant positions not previously budgeted for
- Provision for Council's liability to reserves

Funding of 2014/15 Medium-Term Capital Budget

In line with section 18 of the MFMA, the capital budget has been funded from the following funding sources:

Grants: National Government	R147.9 million	
Reserves	R11.5 million	
External Loans	R281.8 million	R

Investments

Interest received on external investments to an amount of R16.9 million will also contribute the operating revenue. A schedule of Municipal Investment is provided in SA16 of the Schedule A budget.

National and Provincial Government Transfers

The National and Provincial grants allocation will be used to fund larger portions of the operating expenditure as well as the capital expenditure. These have been gazetted in terms of the 2014 Division of Revenue Act and the Provincial Gazette.

For Grant allocations, please refer to SA18 of Schedule A.

New Borrowings

A major portion of the municipality's capital programme will be funded an external loan. Refer from SA17 of Schedule A budget schedule.

11. EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

Grants and subsidies from National and Provincial governments, as reported in the 2014 Division of Revenue Act and reflected in SA 19, have been included in the 2014/15 budget and each allocation will be utilised for the purpose as described below.

National Grant Allocations

Equitable Share

The equitable share is an unconditional grant and as such can be regarded as general revenue, however, it is a matter of co-operative governance that municipalities should prioritise its expenditure budget towards poor households and national priorities like free basic services.

Municipal Infrastructural Grant (MIG)

The Municipal Infrastructural Grant (MIG) is entering its tenth year of implementation in the 2014/15 financial year. It resulted from the consolidation of various capital grants for municipal infrastructure (CMIP, Water Services Projects, CBPWP, LEDF, BSRP and the Urban Transport Fund) into a new funding arrangement.

The Municipal Infrastructural Grant is a conditional grant which gives effect to national objectives to:

- Expand the delivery of basic services to all households, including the delivery of free basic services to poor households and other poverty alleviating objectives.
- Stimulate local economic development and job creation over the medium term.

The MIG funding will be utilised for the construction and upgrading roads and sewer projects in areas falling within Newcastle Municipality. It should be noted that Council is required to counter fund some of the projects.

Finance Management Grant

The Finance Management Grant is a capacity building grant provided by National Treasury to assist municipalities in building management planning, technical and financial management skills and capacity for effective service delivery.

It will be utilised for the upgrading of skills and capacity of Newcastle Finance officials for workshops and training programmes, funding financial programmes with a view to capacitate financial systems, as well as for the remuneration of the interns currently employed by the municipality and cover costs of their training and its facilities. There are currently four interns employed, and the activities are in place to appoint the fifth one, as per National Treasury guide.

Water Operating Subsidy

The Water Operating Subsidy is the capital grant provided by the Department of Water Affairs and Forestry to subsidise water schemes owned and/or operated by the department or other agencies on behalf of the department. Projects funded through this grant are implemented by the uThukela Water (Pty) Ltd but Newcastle Municipality will only administer the funds of the project(s).

Municipal Systems Improvement Grant

This grant is provided by the Department of Cooperative Governance and Traditional Affairs to assist municipalities to build in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government Systems Act, 2000 and other related legislation.

The grant may be apportioned for, depending on the submitted and approved activity plan, the engagement of ward committees, IDP review processes, implementation of Municipal Property Rates Act and GRAP conversion requirements

Neighbouring Development Partnership

This grant was established by National Treasury to support neighbouring development projects that provide community infrastructure and create the platform for other public and private sector development, towards improving the quality of life of residents in targeted underserved neighbourhoods, generally townships.

The Technical Assistance Grant aims at supporting the development of township development plans. This is an indirect grant and not be transferred directly to Newcastle Municipality. The Capital Grant aims at supporting nodal investment into the construction or upgrading of community facilities, which may attract private sector investment. This is an indirect allocation which will be transferred by National Treasury directly to the service provider or the implementing agent.

National Electrification Programme (Eskom)

The National Electrification Programme grant is transferred by the Department of Minerals and Energy directly to Eskom to implement integrated electrification programmes by addressing electrification backlogs of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electrification infrastructure.

Hence, the grant will be transferred to Eskom to address the electrification infrastructure backlog within the jurisdiction of Newcastle Municipality.

Provincial Grant Allocations

Museum subsidy

The funding is made available by KZN Premier's office to provide strategic financial support to municipalities with a focus on the development and maintenance of museums and care and preservation of cultural heritage.

Library Recapitalisation

The subsidy is provided to improve library services.

12. ALLOCATIONS AND GRANTS MADE BY NEWCASTLE MUNICIPALITY

None. Please refer to SA 21 of Schedule A.

13. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

Please refer to SA22 and SA24 of Schedule A

14. MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOWS (Table 15a)

Please refer to SA25 to SA30 of Schedule A

15. ANNUAL BUDGET AND SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN – INTERNAL DEPARTMENTS

The Draft annual budget is as per attached Scheduled A, which is Annexure A and the draft SDBIP will be submitted separately.

16. ANNUAL BUDGET AND SERVICE DELIVERY AGREEMENTS – MUNICIPAL ENTITIES AND OTHER EXTERNAL MECHANISMS

Municipal Entities

The agreement in currently in force in the following brief details:

- (a) Name of Entity : Uthukela Water (Pty) Ltd
- (b) Period of agreement : 30 years
- (c) Service provided : Water and sanitation
- (d) Expiry date : 24 May 2034

The Entity is currently under Provincial Administration and being investigated in terms of section 78 of the Municipal Systems Management Act, 32 of 2000.

Other Agreements

The service delivery agreement with Bigen Africa (Pty) Ltd to perform the Debt Collection and Credit Control function of the Municipality expired on 1 July 2007. Council, however, resolved to extend the contract on a month to month basis.

The Council will have to assess all options available with regard to the continuation of the function ensuring that all processes currently in place are not disturbed. Should the legal and non-legal processes not continue, the negative impact on the cash flow of the Municipality will filter through to the level of service delivery supplied by Council. This will be addressed once the revenue enhancement strategies have been identified.

17. CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

The municipality has a contract with uThukela Water. Uthukela water is providing bulk water to the municipality and the municipality makes a contribution towards the entity's operational expenditure. No other contracts, which will have budgetary implications beyond a period of three years, have been provided for in the 2014/15 medium-term budget.

Please refer to SA35 of Schedule A

18. CAPITAL EXPENDITURE DETAILS

Please refer to SA36 of Schedule A

19. LEGISLATION COMPLIANCE STATUS

Municipal Finance Management Act

The Municipal Finance Management Act, No. 56 of 2003 came into effect on 1 July 2004. The Newcastle Municipality was identified as a High Level Municipality, and as such had the responsibility of implementing the Act with few exemptions/delays allowed. The following main processes have been implemented in terms of the Municipal Finance Management Act:

- The budget process.
- Supply Chain Management.
- Conversion of Financial Statements to GAMAP/GRAP.
- Financial in-year reporting.
- Adjustment budgeting
- Annual reporting.
- Compilation and implementation of various policies.
- Compilation of procedural notes for main financial accounting processes.
- The budget and Treasury office has been established in accordance with the requirements
- Service Delivery and Budget Implementation plans are applied as monitoring tools
- Audit Committee has been established

Municipal Property Rates Act

The 2008/09 was a challenging budget year for Newcastle Municipality, with 01 July 2009 being the compulsory date of first implementation of the Act and drafting of the rates policy. The municipality successfully implemented the Act and the accompanying policy and has since produced for valuation rolls. The fourth one has just been completed and municipality is awaiting objections, if any, from property owners.

Other Legislation

Newcastle Municipality has complied with a number of other legislation, including the Local Government Municipal Systems Act, gazettes and circulars issued by Treasuries on a continuous basis.

20. ANNUAL BUDGET OF MUNICIPAL ENTITY ATTACHED TO THE MUNICIPALITY'S ANNUAL BUDGET

The budget of the Entity Uthukela is attached hereto for Council consideration. The approved operating budget for the Entity amounts to R120 million.

21. DETAILED OPERATING AND CAPITAL BUDGET (ANNEXURE B)

22. MUNICIPAL MANAGER'S QUALITY CERTIFICATE

I, **K Masange**, Municipal Manager of **Newcastle Municipality**, hereby certify that the annual budget and supporting documentation of the 2013/14 Operating and Capital Budget have been prepared in accordance with the Municipal Finance Management Act, 56 of 2003, and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name : KEBONE MASANGE

Municipal Manager of : NEWCASTLE MUNICIPALITY

Signature :

Date :